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INDEPENDENT AUDITOR'S REPORT

**To the Directors and Members of
Leamington District Memorial Hospital**

We have audited the accompanying financial statements of Leamington District Memorial Hospital, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the statement of financial position of Leamington District Memorial Hospital as at March 31, 2014, and the statements of operations, changes in net assets and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

**GRAHAM, SETTERINGTON, McINTOSH,
DRIEDGER & HICKS LLP**

*Graham, Setterington, McIntosh
Driedger & Hicks LLP*

Chartered Professional Accountants
Licensed Public Accountants

Leamington, Ontario
May 28, 2014

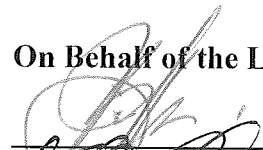
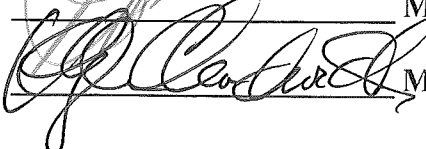
Leamington District Memorial Hospital

**Statement of Financial Position
as at March 31**

	2014	2013
Assets		
Current		
Cash	\$ 4,398,491	\$ 5,118,066
Cash - restricted (note 13)	-	2,357,317
Accounts receivable (note 3 and 8)	6,375,764	4,791,162
Inventories (note 1)	148,701	141,371
Prepaid expenses	411,636	405,873
	11,334,592	12,813,789
Capital Assets (note 1 and 4)	18,497,876	17,680,441
	\$ 29,832,468	\$ 30,494,230
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 4,882,753	\$ 5,002,028
Accounts payable - LHIN (note 13)	-	2,357,317
Unearned revenue	1,974,519	529,068
	6,857,272	7,888,413
Deferred Contributions Relating to Capital Assets (note 5)	13,931,443	12,959,867
Post-employment Benefits (note 12)	433,700	431,800
	21,222,415	21,280,080
Net Assets		
Invested in capital assets (note 11)	4,566,433	4,720,576
Unrestricted	4,043,620	4,493,574
	8,610,053	9,214,150
	\$ 29,832,468	\$ 30,494,230

See accompanying notes to financial statements

On Behalf of the Leamington District Memorial Hospital

 Member
 Member

Leamington District Memorial Hospital

Statement of Changes in Net Assets for the years ended March 31

	Invested in		2014	2013
	Capital	Unrestricted	Total	Total
	Assets			
Net Assets, Beginning of Year	\$ 4,720,576	\$ 4,493,574	\$ 9,214,150	\$ 9,778,245
Excess of (expenses over revenue)	-	(604,097)	(604,097)	(564,095)
Net change in equity invested in capital assets	(154,143)	154,143	-	-
Net Assets, End of Year	\$ 4,566,433	\$ 4,043,620	\$ 8,610,053	\$ 9,214,150

See accompanying notes to financial statements

Leamington District Memorial Hospital

Statement of Operations for the years ended March 31

	2014	2013
Revenue		
Ministry of Health and Long Term Care/Local Health Integration Network	\$ 33,140,903	\$ 33,406,520
Patient Services	4,921,269	4,773,310
Parking lot	324,565	316,695
Amortization of deferred capital contributions - equipment (note 5)	561,775	510,032
Other (note 6)	866,220	841,250
	39,814,732	39,847,807
Expenses		
Salaries and wages	18,902,673	18,925,890
Employee benefits	4,161,645	4,183,098
Post-employment benefits (note 12)	43,000	41,500
Purchased services	380,111	481,088
Medical and surgical supplies	1,456,124	1,512,523
Drugs	714,390	768,458
Food and dietary supplies	1,126,307	1,169,533
Plant maintenance and operations	1,180,579	1,088,349
Corporate services	1,952,814	1,799,564
Medical staff	6,129,412	6,306,755
Amortization of equipment	809,246	813,011
Supplies and other expenses	2,932,428	2,641,278
	39,788,729	39,731,047
Excess of Revenue Over Expenses From Operations	26,003	116,760
Amortization of deferred capital contributions - building (note 5)	744,418	722,455
Amortization of buildings	(1,374,518)	(1,403,310)
Excess of (Expenses Over Revenue)	\$ (604,097)	\$ (564,095)

See accompanying notes to financial statements

Leamington District Memorial Hospital

**Statement of Cash Flow
for the years ended March 31**

	2014	2013
Cash Flows From Operating Activities		
Cash receipts from ministry, patients etc.	\$ 38,671,295	\$ 40,019,222
Cash paid to suppliers, employees etc.	(37,636,263)	(38,098,761)
	<u>1,035,032</u>	<u>1,920,461</u>
Cash Flows From Capital Activities		
Acquisition of capital assets	(3,001,197)	(1,384,881)
Receipt of capital contributions	1,246,590	95,584
	<u>(1,754,607)</u>	<u>(1,289,297)</u>
Net Change in Cash	(719,575)	631,164
Cash, Beginning of Year	5,118,066	4,486,902
Cash, End of Year	<u>\$ 4,398,491</u>	<u>\$ 5,118,066</u>

See accompanying notes to financial statements

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

Nature of Business

Leamington District Memorial Hospital ("Hospital") is incorporated without share capital under the laws of Ontario. The Hospital is a registered charity and as such, is exempt from tax. The Hospital is principally involved in providing health care services to the Municipality of Leamington and its surrounding area.

1. Summary of Accounting Policies

Management Responsibility

The consolidated financial statements of the Leamington District Memorial Hospital are the representation of management prepared in accordance with accounting policies prescribed for government not-for-profit organizations as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Basis of Accounting

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

Related Entities

These financial statements reflect the assets, liabilities and operations of the Leamington District Memorial Hospital ("Hospital"). They do not include the assets, liabilities or operations of its auxiliaries. The Leamington District Memorial Hospital Auxiliary, Leamington District Memorial Hospital Gift Shop, Leamington District Memorial Hospital Foundation or other entities, which, although associated with the Hospital, are separately managed and report to a separate board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with PSAB for government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of useful lives of capital assets, allowance for doubtful accounts, and actuarial estimation of post-employment benefits.

Inventories

Inventories consist of medical, pharmaceutical and office supplies that are not for sale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

1. Summary of Accounting Policies (Cont'd)

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. Land for development is not amortized until its future use is certain and the land is being utilized to serve the Hospital. Amortization is provided on a straight-line basis over the estimated useful lives as set out below.

Land	0%
Buildings	2% to 5%
Parking Lots	10%
Land for Development	0%
Furnishings and Equipment	10% to 33 1/3%

Vacation Pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Revenue Recognition

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long Term Care (the "Ministry") and is negotiated jointly between the Hospital and the Erie St. Clair Local Health Integration Network (the "LHIN"). These financial statements reflect agreed funding arrangements approved by the LHIN with respect to the year ending March 31, 2014. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in a subsequent period.

The amount of any unrestricted contributions to the Hospital are not included in revenues until such time as funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate of the related asset.

In particular, the amount of revenue recognized from the LHIN is a significant estimate. The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") that sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

1. Summary of Accounting Policies (Cont'd)

Revenue Recognition (cont'd)

If the Hospital does not meet its performance standards or obligations, the LHIN has the right to adjust funding received by the Hospital. The LHIN is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of LHIN funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

Revenue related to patient care and other activities is recognized when the service is provided.

Post-Employment Benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (a) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.
- (b) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (c) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's long term cost of borrowing.

Leased Equipment

Equipment leased on terms which transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as "capital leases", and are therefore accounted for as though an asset had been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases and expensed in the year incurred.

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes cash and cash-restricted.

Amortized Cost

This category includes accounts receivable, accounts payable and accrued liabilities, accounts payable - LHIN and unearned revenue. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

1. Summary Accounting Policies (Cont'd)

Amortized Cost (cont'd)

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Contributed Services

A substantial number of volunteers contribute a significant amount of time to assist the Hospital in carrying out its activities. The fair market value of these services is not readily determinable and, as such, it is not reflected in these statements.

2. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value shown below.

	Fair Value	Amortized Cost	Total
Cash	\$ 4,398,491	\$ -	\$ 4,398,491
Accounts receivable	-	6,375,764	6,375,764
Accounts payable and accrued liabilities	-	4,882,754	4,882,754
Unearned revenue	-	1,974,519	1,974,519
	\$ 4,398,491	\$ 13,233,037	\$ 17,631,528

The cash is a fair value measurement which is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

3. Accounts Receivable

	2014	2013
Insurers and patients	\$ 743,511	\$ 754,162
Ministry of Health and Long-Term Care	616,718	990,901
Leamington District Memorial Hospital Foundation	4,161,857	2,487,019
Other	905,178	610,515
	6,427,264	4,842,597
Less: Allowance for doubtful accounts	51,500	51,435
	\$ 6,375,764	\$ 4,791,162

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

4. Capital Assets

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Land	\$ 8,104	\$ -	\$ 8,104	\$ 8,104
Parking lots	1,734,080	1,130,626	603,454	511,222
Land for development	750,309	-	750,309	722,629
Buildings	33,864,251	20,290,918	13,573,333	13,670,623
Furnishings and equipment	19,025,858	16,401,663	2,624,195	2,503,995
Construction in progress	938,481	-	938,481	263,868
	\$ 56,321,083	\$ 37,823,207	\$ 18,497,876	\$ 17,680,441

5. Deferred Contributions Relating to Capital Assets

	2014	2013
Balance, Beginning of Year	\$ 12,959,867	\$ 12,305,869
Additions	2,277,769	1,886,485
Amortization of completed projects - equipment	(561,775)	(510,032)
Amortization of completed projects - building	(744,418)	(722,455)
Balance, End of Year	\$ 13,931,443	\$ 12,959,867

6. Other Revenue

	2014	2013
Ministry of Health - Nurse practitioner	\$ 61,427	\$ 122,942
Interest	61,048	77,136
Rent	50,860	58,675
External recoveries	426,599	306,153
Other	266,286	276,344
	\$ 866,220	\$ 841,250

7. Pension Plan

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$1,334,909 (2013 - \$1,439,488) and are included in employee benefits in the statement of operations.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

8. Related Entities

(a) *The Leamington District Memorial Hospital Foundation*

The Hospital has an economic interest in The Leamington District Memorial Hospital Foundation ("Foundation"). The Foundation was established in 1988 to enhance or improve the services of patient care provided by the facilities of the Hospital including the field of medical education and research.

The Foundation was incorporated under the laws of Ontario without share capital or benefit for its members and is therefore exempt from income taxes. The income generated by the Foundation is distributed to the Hospital as the funds are requested and approved. The accounting policy followed in reporting the Foundation is note disclosure.

The transactions with the Foundation include \$4,161,857 (2013 - \$2,487,019) recorded as Accounts Receivable. As well, the Foundation has committed to a four year capital grant of \$ 800,000 per year that began with the March 31, 2010 year end. All amounts have been measured at the exchange amount. The Foundation has further committed to a capital grant of \$1,000,000 per year for two years beginning with the March 31, 2014 year end.

The assets, liabilities, results of operations and cash flows for the Foundation for the years ended March 31 are as follows:

	2014	2013
<i>Financial position:</i>		
Total assets	\$ 17,228,454	\$ 14,717,850
Total liabilities	\$ 4,168,386	\$ 2,491,178
Net assets	13,060,068	12,226,672
	\$ 17,228,454	\$ 12,870,583
<i>Results of operations:</i>		
Total revenue	\$ 1,554,304	\$ 921,723
Total expenses	314,619	332,825
Unrealized gain on held for trading investments	2,104,535	1,320,193
Net income for the year	\$ 3,344,220	\$ 1,909,091
<i>Cash flows:</i>		
Operating	\$ 771,676	\$ 481,076
Distributions	(859,344)	(4,944)
Investing	389,647	(239,543)

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

8. Related Entities (Cont'd)

(b) TransForm Shared Services Organization

The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hotel-Dieu Grace Hospital (HDGH) and Windsor Regional Hospital (WRH) operates a not-for-profit without share capital under the laws of the Province of Ontario shared service organization called TransForm Shared Service Organization (TransForm). TransForm was a result of the amalgamation of PROcure Healthcare, which provided the purchasing and payment responsibilities and Consolidated Health Information Services (CHIS), which provided Information Technology/Information System services for the five hospitals.

9. Leamington District Memorial Hospital Auxiliary

The Auxiliary is a volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws, the stated purpose of the Auxiliary is to assist the Hospital. During the year, the Auxiliary donated equipment with a value of \$24,040 (2013 - \$51,646) to the Hospital.

10. Commitments, Contingencies and Guarantees

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2014, management believes the Hospital has valued defences and appropriate insurance in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties.

The Hospital along with the other four Hospitals within the Erie St. Clair LHIN entered into an agreement in 2009 that resulted in the creation of a non-share capital, not-for-profit corporation known as TransForm, to provide supply chain services to the member hospitals. Per the service agreement between the Hospital and TransForm, the Hospital has provided a guarantee to TransForm's bank equal to, but not exceeding its equitable share of 10% of the startup loan. TransForm had an outstanding balance at March 31, 2014 of \$1,198,386 (2013 - \$2,068,965) with interest at 3.37%.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

11. Equity Invested in Capital Assets

	2014	2013
<i>Equity invested in capital assets is calculated as follows:</i>		
Capital assets - net	\$ 18,497,876	\$ 17,680,441
<i>Less amounts funded by:</i>		
Deferred capital contributions	(13,931,443)	(12,959,867)
	\$ 4,566,433	\$ 4,720,574
<i>The net change in equity invested in capital assets is calculated as follows:</i>		
Purchase of capital assets	\$ 3,001,197	\$ 1,384,881
Amounts funded by deferred capital contributions	(2,277,769)	(1,886,485)
Amortization of capital assets	(2,183,764)	(2,216,319)
Amortization of deferred capital contributions	1,306,193	1,232,487
	\$ (154,143)	\$ (1,485,436)

12. Post-employment Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed March 31, 2014.

As at March 31, 2014, the Hospital's post-employment benefits and related expenses are as follows:

	2014	2013
Accrued benefit obligation	\$ 1,100,400	\$ 479,300
Unamortized experience gains (losses)	(666,700)	(47,500)
Accrued liability	\$ 433,700	\$ 431,800
	2014	2013
Current year benefit cost	\$ 20,700	\$ 19,300
Interest on accrued benefit obligation	19,200	19,900
Amortized actuarial (gain)/loss	3,100	2,300
Total expense	\$ 43,000	\$ 41,500

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described in note 7.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

12. Post-employment Benefits (Cont'd)

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

Discount rate	4%
Dental benefits cost escalation	4%
Medical benefits cost escalation - extended health care	8% in 2014 decreasing by 0.25% per annum to an ultimate rate of 5% in 2020 and thereafter

13. Cash - Restricted

These funds were recovered by the MOH-LTC during the year. The Hospital has no further obligation in relation to these funds.

14. Capital Management

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the Hospital is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2014, the Hospital met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

15. Economic Dependence

The Hospital received a significant portion of its total revenue from the Erie St. Clair LHIN and Ministry of Health and Long-Term Care.

16. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, each of the Hospital's cash accounts are insured up to \$100,000 (2013 - \$100,000).

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

16. Financial Instrument Risk Management (Cont'd)

Credit Risk (Cont'd)

Accounts receivable is primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patients population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collection. The amounts outstanding at the year end were as follows:

	Total	Current	1 - 30	31 - 60	61 - 90	> 90
Inpatients	\$ 136,047	\$ 20,039	\$ 27,743	\$ 56,721	\$ 730	\$ 30,814
Outpatients	200,167	40,391	30,051	37,070	25,470	67,185
OHIP/Other provinces	407,297	4,332	193,277	185,896	1,604	22,188
MOH-LTC	616,718	-	616,718	-	-	-
Leamington District Memorial Hospital Foundation	4,161,856	-	2,262,138	11,247	36	1,888,435
Miscellaneous	905,179	10,686	472,848	5,222	79,492	336,931
Gross receivables	6,427,264	\$ 75,448	\$ 3,602,775	\$ 290,934	\$ 107,332	\$ 2,345,553
Less: allowance	(51,500)					
Net receivables	<u>\$ 6,375,764</u>					

The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowance set up against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit quality of debtors and their past history of payment.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments. However, the Leamington District Memorial Hospital Foundation is exposed to these risks.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

Leamington District Memorial Hospital

Notes to Financial Statements for the years ended March 31

16. Financial Instrument Risk Management (Cont'd)

Interest Rate Risk (cont'd)

The Hospital is exposed to this risk through its guarantee on TransForm's loan.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Rate Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash resources at all times. The following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years
Accounts payable and accrued liabilities	\$ 4,204,472	\$ 621,963	\$ 56,313
Unearned revenue	1,974,519	-	-
	\$ 6,178,991	\$ 621,963	\$ 56,313

17. Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation.