

West Nipissing General Hospital
Financial Statements
For the year ended March 31, 2020

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For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of West Nipissing General Hospital

Opinion

We have audited the financial statements of West Nipissing General Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2020 and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules or exhibits on pages 27 through 29 of the Hospital's Financial Statements.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 8, 2020

West Nipissing General Hospital Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash and cash equivalents	\$ 4,387,921	\$ 5,739,216
Investments (Note 5)	318,645	446,513
Accounts receivable (Note 4)	728,083	800,359
Inventories	258,705	230,190
Prepaid expenses	535,375	344,218
	6,228,729	7,560,496
Investments (Note 5)	-	313,614
Capital assets (Note 6)	16,204,366	16,374,165
Other assets (Note 7)	358,334	303,834
	\$ 22,791,429	\$ 24,552,109

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 3,060,975	\$ 4,448,883
Accounts payable - Province of Ontario	358,728	896,132
	3,419,703	5,345,015
Deferred contributions (Note 9)	776,248	698,149
Deferred capital contributions (Note 10)	9,904,427	9,954,127
Post-employment benefits (Note 11)	1,601,300	1,567,400
	15,701,678	17,564,691
Net Assets		
Invested in capital assets (Note 12)	6,299,939	6,420,038
Unrestricted	789,812	567,380
	7,089,751	6,987,418
	\$ 22,791,429	\$ 24,552,109

Commitments and Contingencies (Note 13)

Subsequent Events (Note 15)

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

West Nipissing General Hospital Statement of Changes in Net Assets

For the year ended March 31 **2020**

	Invested in Capital Assets	Unrestricted	Total
Net assets, beginning of year	\$ 6,420,038	\$ 567,380	\$ 6,987,418
(Deficiency) excess of revenues over expenses for the year	(654,970)	757,303	102,333
Invested in capital assets (Note 12)	534,871	(534,871)	-
Net assets, end of year	\$ 6,299,939	\$ 789,812	\$ 7,089,751

2019

	Invested in Capital Assets	Unrestricted	Total
Net assets, beginning of year	\$ 6,150,902	\$ 726,760	\$ 6,877,662
(Deficiency) excess of revenues over expenses for the year	(615,367)	725,123	109,756
Invested in capital assets (Note 12)	884,503	(884,503)	-
Net assets, end of year	\$ 6,420,038	\$ 567,380	\$ 6,987,418

West Nipissing General Hospital Statement of Operations

For the year ended March 31	2020	2019
Revenues		
Provincial funding	\$ 22,254,107	\$ 21,664,701
Other funding sources	4,528,375	3,912,437
Investment income	93,996	78,787
Amortization of deferred capital contributions (Note 10)	54,370	57,582
Amortization of deferred contributions (Note 9)	52,071	52,071
	<u>26,982,919</u>	<u>25,765,578</u>
Expenses		
Salaries and wages	12,484,709	12,119,097
Employee benefits (Note 11)	4,285,147	4,223,710
Medical staff remuneration	2,920,727	2,735,088
Contracted services	1,640,450	1,173,763
Drugs and medical gases	1,239,482	954,945
Other supplies and expenses	1,016,467	1,149,913
Equipment maintenance expense	745,476	853,496
Facility operations	640,299	600,897
Food and dietary supplies	351,154	320,604
Buildings and grounds	320,529	309,608
Medical and surgical supplies	298,004	312,263
Diagnostic and therapeutic supplies	202,273	171,104
Bad debts	26,529	58,385
Amortization - equipment	480,136	448,632
	<u>26,651,382</u>	<u>25,431,505</u>
Excess of revenues over expenses before amortization of building and deferred capital contributions	331,537	334,073
Amortization - building, building service equipment and land improvements	(882,520)	(755,318)
Amortization of deferred capital contributions - building, building service equipment and land improvements (Note 10)	653,316	531,001
Excess of revenues over expenses for the year	\$ 102,333	\$ 109,756

The accompanying notes are an integral part of these financial statements.

West Nipissing General Hospital Statement of Cash Flows

For the year ended March 31	2020	2019
Cash provided by (used in)		
Operating		
Excess of revenues over expenses for the year	\$ 102,333	\$ 109,756
Items not involving cash		
Amortization of capital assets	1,362,656	1,203,950
Amortization of deferred capital contributions - building, building service equipment and land improvements	(653,316)	(531,001)
Amortization of deferred capital contributions	(54,370)	(57,582)
Amortization of deferred contributions	(52,071)	(52,071)
Amortization of deferred recruitment incentives	120,500	117,000
Accrual for post-employment benefits	33,900	(2,200)
Changes in non-cash working capital balances		
Accounts receivable	72,276	(100,883)
Inventories	(28,515)	(17,963)
Prepaid expenses	(191,157)	(57,918)
Accounts payable and accrued liabilities	(1,387,908)	250,238
Accounts payable - Province of Ontario	(537,404)	570,576
Deferred contributions	130,171	64,881
	<u>(1,082,905)</u>	<u>1,496,783</u>
Investing		
Advances of recruitment incentives	(175,000)	106,749
Change in investments	441,481	835,275
	<u>266,481</u>	<u>942,024</u>
Capital		
Purchase of capital assets	(1,192,857)	(3,191,885)
Deferred contributions received for capital purposes	657,986	2,307,382
	<u>(534,871)</u>	<u>(884,503)</u>
(Decrease) increase in cash and cash equivalents during the year	(1,351,295)	1,554,304
Cash and cash equivalents, beginning of year	<u>5,739,216</u>	<u>4,184,912</u>
Cash and cash equivalents, end of year	\$ 4,387,921	\$ 5,739,216

The accompanying notes are an integral part of these financial statements.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies

Nature and Purpose of Organization

The West Nipissing General Hospital (the "Hospital") provides health care services in the West Nipissing area. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Basis of Presentation

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").

Contributed Services

Consistent with other hospitals, there are a number of volunteers that contribute a significant amount of their time each year to the Hospital to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

West Nipissing General Hospital

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and 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 ("MOHLTC"), and the Local Health Integration Network ("LHIN"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2017 with the Ministry and LHIN that sets out rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/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 Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not yet 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 that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Patient and other ancillary income are recognized as revenue when the services are provided or when goods are sold.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

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. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated 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.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Land	- no amortization
Land improvements	- 10% of original cost
Buildings	- 2.5% - 5% of original cost
Equipment	- 5% - 20% of original cost

The Hospital follows the policy of calculating amortization commencing the first full month the capital asset is commissioned and ready for service.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Retirement and Post

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

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates 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. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

Management Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Accounts receivable and post-employment benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for inventory obsolescence and amortization of capital assets are based on estimates of useful service life.

West Nipissing General Hospital

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

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 equivalents which is initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized cost

This category includes investments, accounts receivable and accounts payable and accrued liabilities. 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.

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.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

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 as shown below.

	2020		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 4,387,921	\$ -	\$ 4,387,921
Short-term investments	-	318,645	318,645
Accounts receivable	-	728,083	728,083
Accounts payable and accrued liabilities	-	3,419,703	3,419,703
	\$ 4,387,921	\$ 4,466,431	\$ 8,854,352
	2019		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 5,739,216	\$ -	\$ 5,739,216
Short-term investments	-	446,513	446,513
Accounts receivable	-	800,359	800,359
Long-term investments	-	313,614	313,614
Accounts payable and accrued liabilities	-	5,345,015	5,345,015
	\$ 5,739,216	\$ 6,905,501	\$ 12,644,717

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

2. Financial Instrument Classification (continued)

	2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,387,921	\$ -	\$ -	\$ 4,387,921
	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,739,216	\$ -	\$ -	\$ 5,739,216

There were no transfers between Level 1, 2 and Level 3 for the years ended March 31, 2020 and 2019.

3. Hospital Foundation

The West Nipissing General Hospital Foundation ("the Foundation") was created for the purpose of promoting and participating in fund-raising programs in order to raise money for capital projects and to undertake, carry-out, encourage and assist the Hospital and others associated with it directly or indirectly in any or all phases of medical research, education and the advancement of the Hospital's objectives. Funds received from the Foundation during the year totaled \$103,650 (2019 - \$8,790). The Foundation is not controlled and therefore is not consolidated in these financial statements.

4. Accounts Receivable

	2020	2019
Patient care	\$ 719,175	\$ 618,280
HST receivable	8,908	182,079
	\$ 728,083	\$ 800,359

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

5. Investments

	2020	2019
Investments - current (i)	<u>\$ 318,645</u>	<u>\$ 446,513</u>
Investments - long-term	<u>\$ -</u>	<u>\$ 313,614</u>

(i) Consists of a (2019 - one) GIC, bearing interest at 1.60% (2019 - 1.50%) maturing June 2020.

6. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 39,514	\$ -	\$ 39,514	\$ -
Land improvements	746,114	746,114	746,114	746,114
Buildings	30,187,292	16,281,050	27,983,539	15,235,954
Equipment	16,542,471	14,355,467	15,810,303	14,037,907
Construction in progress	71,606	-	1,814,670	-
	<u>\$47,586,997</u>	<u>\$31,382,631</u>	<u>\$ 46,394,140</u>	<u>\$ 30,019,975</u>
Net book value		<u>\$ 16,204,366</u>		<u>\$ 16,374,165</u>

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

7. Other Assets

Other assets are comprised of deferred physicians' recruitment incentives. These costs will be recognized over the terms of the physicians' contracts. Unamortized amounts may become receivable from the physician in the event of a default of their contract.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 303,834	\$ 527,583
Add: Payments under existing agreements	-	37,001
Payments under new agreements signed during the year	<u>175,000</u>	<u>-</u>
	478,834	564,584
Less: Amortization of deferred recruitment	(120,500)	(117,000)
Repayment of loans due to default	<u>-</u>	<u>(143,750)</u>
Balance, end of year	<u>\$ 358,334</u>	<u>\$ 303,834</u>

8. Credit Facility

The Hospital has an authorized line of credit in the amount of \$1,200,000 bearing interest at the bank's prime lending rate minus 0.5% and is repayable on demand. At year end the line of credit was unused.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

9. Deferred Contributions

Deferred contributions represent the unamortized and unspent balances of money received for specific purposes. The details of the continuity of these funds are as follows:

	2020	2019
Deferred contributions related to medical clinic		
Balance, beginning of year	\$ 624,846	\$ 676,917
Less: Amounts amortized to revenue	(52,071)	(52,071)
Balance, end of year	572,775	624,846
Deferred contributions related to operations		
Balance, beginning of year	73,303	8,422
Add: Contributions during the year	573,962	73,671
Less: Amounts transferred to deferred capital contributions	(443,792)	(8,790)
Balance, end of year	203,473	73,303
Total deferred contributions	\$ 776,248	\$ 698,149
Amounts amortized to revenue during the year:		
Medical Clinic	\$ 52,071	\$ 52,071

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

10. Deferred Capital Contributions

Deferred capital contributions represent the unamortized and unspent balances of grants, donations and contributions received for capital asset acquisitions. The details of the continuity of these funds are as follows:

	2020	2019
Deferred contributions related to equipment		
Balance, beginning of year	\$ 386,687	\$ 435,479
Add: Amounts transferred from deferred contributions	3,650	8,790
Less: Amounts amortized to revenue	(54,370)	(57,582)
	335,967	386,687
Deferred contributions relating to building, building service equipment and land improvements		
Balance, beginning of year	9,567,440	7,799,849
Add: Contributions during the year	654,336	2,298,592
Less: Amounts amortized to revenue	(653,316)	(531,001)
	9,568,460	9,567,440
Total deferred contributions related to capital assets	\$ 9,904,427	\$ 9,954,127

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

11. Post-Employment Benefits Liability

The following tables outline the components of the Hospital's post-employment benefits liabilities and the related expenses.

	2020	2019
Accrued employee future benefits obligations	\$ 1,601,300	\$ 1,567,400
	2020	2019
Current year benefit cost	\$ 55,700	\$ 31,600
Interest on accrued benefit obligation	57,200	53,400
Amortized actuarial losses	-	215,100
Amortization of past service credits	-	(223,300)
Total expense	\$ 112,900	\$ 76,800

The Hospital paid \$89,284 (2019 - \$79,000) in benefit payments during the year. Above amounts exclude pension contributions to the Hospital's pension plan, a multi-employer plan, described below.

Retirement Benefits

Healthcare of Ontario Pension Plan ("HOOPP")

HOOPP provides pension services to more than 381,000 members and approximately 594 employers. Substantially all of the full-time employees and some of the part-time employees are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2019 disclosed a surplus of \$20,555 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$160,271 million in respect of benefits accrued for service with actuarial assets at that date of \$180,826 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the HOOPP surplus or deficit. Contributions by the Hospital to the plan during the year by the Hospital amounted to \$961,364 (2019 - \$905,153).

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

11. Post-Employment Benefits Liability (continued)

Post-Employment Benefits

The Hospital extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study completed with a date of March 21, 2019, and estimated rates for March 31, 2020.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 3.61% (2019 - 3.61%).

b) Hospital and other medical

Hospital and other medical costs were assumed to increase at 5.5% per annum in 2020 (2019 - 5.5%).

Medical premium increases were assumed to increase at 5.5% per annum in 2020 (2019 - 5.5%).

c) Dental costs

Dental costs were assumed to increase at 3.0% per annum in 2020 (2019 - 3.0%).

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

12. Invested in Capital Assets

	2020	2019
Invested in capital assets is calculated as follows:		
Capital assets, net book value	\$ 16,204,366	\$ 16,374,165
Amounts financed by deferred contributions	<u>(9,904,427)</u>	<u>(9,954,127)</u>
	<u>\$ 6,299,939</u>	<u>\$ 6,420,038</u>

The change in invested in capital assets is calculated as follows:

Amortization of deferred contributions - building, building service equipment and land improvements	\$ 653,316	\$ 531,001
Amortization of deferred contributions - equipment	54,370	57,582
Amortization of capital assets	<u>(1,362,656)</u>	<u>(1,203,950)</u>
	<u>\$ (654,970)</u>	<u>\$ (615,367)</u>

Net change in invested in capital assets:

Acquisition of capital assets	\$ 1,192,857	\$ 3,191,885
Amounts funded by deferred contributions	<u>(657,986)</u>	<u>(2,307,382)</u>
	<u>\$ 534,871</u>	<u>\$ 884,503</u>

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

13. Commitments and Contingencies

a. Equipment Repair Commitments

Under the terms of capital acquisitions of X-Ray and Ultrasound equipment, the Hospital is committed to making minimum payments as follows:

2020	\$	101,483
2021		101,483
2022		101,483
2023		101,483
2024		101,483
Thereafter		172,816
		<hr/>
	\$	680,231
		<hr/>

b. Grants

The Hospital receives grants from the MOHLTC and the NELHIN for specific services. Pursuant to the related agreement, if the Hospital does not meet specified levels of activity, the MOHLTC or NELHIN are entitled to seek repayments. Should any amounts become payable, the amounts would be charged to operations in the period in which the amount of the repayment is determined to be payable.

c. Legal and Litigation Matters

In the normal course of operations the Hospital is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved or become determinable. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

14. 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 cash equivalents 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, the Hospital's cash accounts are insured up to \$100,000 (2019 - \$100,000).

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

14. Financial Instrument Risk Management (continued)

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the MOHLTC in relation to the funding agreements described in Note 2 and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are primarily due from OHIP, the LHIN and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

Credit risk (continued)

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 collections. The amounts outstanding at year end were as follows:

	2020				
	Past due				
	Total	Current	1-30 days	31-60 days	61+ days
Patients	\$ 702,255	\$ 252,235	\$ 182,340	\$ 22,894	\$ 244,786
HST receivable	25,828	25,828	-	-	-
Gross receivables	\$ 728,083	\$ 278,063	182,340	22,894	244,786
Net receivables	\$ 728,083	\$ 278,063	\$ 182,340	\$ 22,894	\$ 244,786
	2019				
	Past due				
	Total	Current	1-30 days	31-60 days	61+ days
Patients	\$ 618,280	\$ 277,187	\$ 2,836	\$ 127,249	\$ 211,008
HST receivable	182,079	182,079	-	-	-
Gross receivables	\$ 800,359	\$ 459,266	2,836	127,249	211,008
Less: impairment allowances	-	-	-	-	-
Net receivables	\$ 800,359	\$ 459,266	\$ 2,836	\$ 127,249	\$ 211,008

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

14. Financial Instrument Risk Management (continued)

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

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.

The Hospital is exposed to this risk through its interest bearing investments.

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 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 investments that may be converted to cash in the near term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

14. Financial Instrument Risk Management (continued)

	2020			
	Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable	\$ 3,419,703	\$ -	\$ -	\$ -
<u>Liquidity risk</u> (continued)				
	2019			
	Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable	\$ 5,345,015	\$ -	\$ -	\$ -

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.

West Nipissing General Hospital Notes to Financial Statements

March 31, 2020

15. Subsequent Events

On March 11, 2020 the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery and number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and increases in operating costs.

a) Current year transactions:

- For the year ended March 31, 2020, the Ministry of Health of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID related expenses. In the year, the Hospital incurred COVID related expenses of \$35,880 and has recognized \$37,500 of revenue from these programs. These amounts have been recorded in other funding and salary, benefits, & medical and surgical supplies in the statement of operations.

b) Subsequent events related to COVID-19:

- The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations.

**West Nipissing General Hospital
Schedule of Operations - Hospital Sector
(Unaudited)**

For the year ended March 31	2020	2019
Revenues		
Provincial funding	\$ 18,455,860	\$ 18,054,628
Other funding sources (i)	4,125,267	4,161,046
Investment income	93,996	78,787
Donations and contributions	2,950	-
Amortization of deferred contributions	52,071	52,071
Amortization of deferred capital contributions	41,188	42,805
	<u>22,771,332</u>	<u>22,389,337</u>
Expenses		
Salaries and wages	10,016,741	9,879,588
Employee benefits	3,321,517	3,288,453
Medical staff remuneration	2,900,649	2,714,584
Drugs and medical gases	1,228,709	946,330
Contracted services	967,048	1,103,060
Other supplies and expenses	929,749	1,049,206
Equipment maintenance expense	732,247	758,257
Facility operations	607,488	571,413
Food and dietary supplies	348,205	343,008
Building and grounds	319,712	308,895
Medical and surgical supplies	269,422	284,798
Diagnostic and therapeutic supplies	202,273	170,957
Post-employment benefits	108,946	139,497
Bad debts	26,529	58,385
Amortization - equipment	460,472	427,644
	<u>22,439,707</u>	<u>22,044,075</u>
Excess of revenues over expenses relating to operations	331,625	345,262
Amortization of deferred contributions - building, building service equipment and land improvements	653,316	531,001
Amortization - building, building service equipment and land improvements	<u>(882,520)</u>	<u>(755,318)</u>
Excess of revenues over expenses	\$ 102,421	\$ 120,945

(i) Includes \$438,796 (2019 - \$1,098,194) in internally generated revenue charged to the Long-Term Care Sector and in other hospital departments - which has been eliminated on the statement of operations.

West Nipissing General Hospital
Schedule of Operations - Community Mental Health Sector
(Unaudited)

For the year ended March 31	2020	2019
Revenues		
Provincial funding	\$ 1,078,756	\$ 1,081,210
Other funding sources	776	1,369
	<u>1,079,532</u>	<u>1,082,579</u>
Expenses		
Salaries and wages	771,222	754,868
Employee benefits	238,403	246,812
Other supplies and expenses	61,249	67,756
Equipment	6,244	12,134
Building and grounds	817	713
Facility operations	201	178
Medical and surgical supplies	69	118
Amortization - building	1,415	1,480
	<u>1,079,620</u>	<u>1,084,059</u>
Deficiency of revenues over expenses	\$ (88)	\$ (1,480)

**West Nipissing General Hospital
Schedule of Operations - Long-Term Care Sector
(Unaudited)**

For the year ended March 31	2020	2019
Revenues		
Provincial funding	\$ 2,719,491	\$ 2,528,863
Other funding sources	838,178	848,216
Amortization of deferred capital contributions	13,182	14,777
	<u>3,570,851</u>	<u>3,391,856</u>
Expenses		
Salaries and wages	1,696,746	1,484,641
Contracted services (i)	688,349	724,759
Employee benefits	616,281	548,948
Food and dietary supplies (ii)	426,798	421,734
Facility operations	32,610	29,306
Medical and surgical supplies	28,513	27,347
Other supplies and expenses	25,469	32,951
Medical staff remuneration	20,078	20,504
Drugs and medical gases	10,773	8,615
Equipment	6,985	83,105
Diagnostic and therapeutic supplies	-	147
Amortization - equipment	18,249	19,508
	<u>3,570,851</u>	<u>3,401,565</u>
Deficiency of revenues over expenses	\$ -	\$ (9,709)

(i) Includes \$14,947 (2019 - \$654,056) in internally generated expenses charged by the Hospital Sector - which has been eliminated on the statement of operations.

(ii) Includes \$423,849 (2019 - \$444,138) in internally generated expenses charged by the Hospital Sector - which has been eliminated on the statement of operations.