
Georgian Bay General Hospital
Financial Statements
For the year ended March 31, 2019

Georgian Bay General Hospital

Financial Statements

For the year ended March 31, 2019

Contents

Independent Auditors' Report	3
Financial Statements	
Statement of Financial Position	5
Statement of Operations	6
Statement of Deficiency in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 24



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Independent Auditor's Report

To the Chairperson, Board of Directors and Members of the Corporation of Georgian Bay General Hospital

Opinion

We have audited the financial statements of Georgian Bay General Hospital (the Hospital), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, deficiency in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and the results of its operations, its change in debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for Government not for profit organizations.

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.

Economic Dependence

We draw attention to Note 3 to the financial statements, which describes the Hospital's economic dependence on the Ministry of Health and Long-Term Care and the North Simcoe Muskoka Local Health Integration Network. Our opinion is not qualified in respect of this matter.

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 for Government not for profit organizations, 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

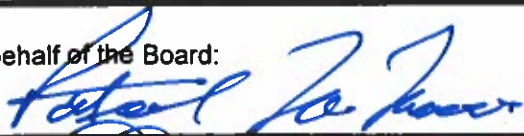
Barrie, Ontario
May 23, 2019

Georgian Bay General Hospital
Statement of Financial Position

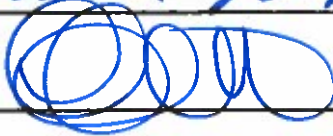
March 31

	2019	2018
Assets		
Current Assets:		
Cash (note 4)	\$ 584,981	\$ 1,952,208
Accounts receivable (note 5)	3,377,710	4,393,456
Inventories	757,303	826,119
Prepaid expenses	302,711	264,997
	<u>5,022,705</u>	<u>7,436,780</u>
Property, Plant and Equipment (note 6)	32,594,010	27,780,421
	<u>\$ 37,616,715</u>	<u>\$ 35,217,201</u>
Liabilities and deficiency in net assets		
Current Liabilities		
Bank Indebtedness (note 4)	\$ 1,306,263	\$ -
Accounts payable and accrued liabilities (note 7)	12,330,289	13,103,889
Deferred revenue	72,894	406,575
Current portion of obligations under capital lease (note 10)	54,359	261,240
Current portion of long-term obligations (note 9)	629,312	807,135
	<u>14,393,117</u>	<u>14,578,839</u>
Employee post-retirement benefits (note 12)	3,193,300	3,230,600
Obligations under capital leases (note 10)	-	62,555
Deferred contributions related to Property, Plant and Equipment (note 8)	29,281,644	24,908,060
Long term obligations (note 9)	1,842,211	2,504,152
Total Liabilities	<u>48,710,272</u>	<u>45,284,206</u>
Deficiency in net assets	(11,093,557)	(10,067,005)
Contingencies (note 15)		
	<u>\$ 37,616,715</u>	<u>\$ 35,217,201</u>

On behalf of the Board:



Director



Director

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

Georgian Bay General Hospital
Statement of Operations

For the year ended March 31

	2019	2018
Revenue:		
North Simcoe Muskoka Local Health Integration Network/Ministry of Health & Long Term Care (note 3)	\$ 54,802,737	\$ 50,697,514
Patient Services	4,407,068	4,283,789
Marketed Services	923,730	935,152
Other	3,594,208	3,717,449
Amortization of deferred capital contributions related to equipment	1,006,322	874,501
	64,734,065	60,508,405
Expenses:		
Salaries and wages	33,529,985	29,645,389
Benefit contributions	9,108,709	9,752,677
Medical staff remuneration	4,033,970	3,715,182
Drugs	3,510,997	3,610,488
Medical and surgical supplies	2,174,652	1,958,253
Supplies and other expenses	11,164,148	10,849,277
Amortization of major equipment	1,135,712	945,866
	64,658,173	60,477,132
Surplus of revenue over expenses		
from hospital operations before undernoted items	75,892	31,273
Amortization - deferred capital contributions for buildings, land improvements and buildings service equipment	613,449	416,462
Amortization - buildings, land improvements and building service equipment	(1,591,598)	(1,261,498)
Deficiency of revenue over expenses before undernoted items	(902,257)	(813,763)
Interest on long term debt	(124,295)	(143,003)
Deficiency of revenue over expenses	\$ (1,026,552)	\$ (956,766)

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

Georgian Bay General Hospital
Statement of Deficiency in Net Assets

For the year ended March 31

	Invested in Property, Plant and Equipment	Unrestricted	2019	2018
Deficiency in net assets				
Beginning of year	\$ 2,548,566	\$ (12,615,571)	\$ (10,067,005)	\$ (9,110,239)
Net investment in				
Land, buildings and equipment	1,816,980	(1,816,980)	-	-
Surplus (deficiency) of revenue over expenses	(1,107,539)	80,987	(1,026,552)	(956,766)
Deficiency in net assets, end of year	\$ 3,258,007	\$ (14,351,564)	\$ (11,093,557)	\$ (10,067,005)

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

Georgian Bay General Hospital
Statement of Cash Flows

For the year ended March 31

	2019	2018
Cash Provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ (1,026,552)	\$ (956,766)
Adjustments for:		
Amortization of property, plant and equipment	2,727,310	2,207,364
Amortization of deferred capital contributions	(1,619,771)	(1,290,963)
Decrease in employee future benefit liability	(37,300)	(80,600)
	<u>43,687</u>	<u>(120,965)</u>
Change in non-cash working capital		
Decrease in accounts receivable	1,015,746	(1,200,196)
Decrease (increase) in inventory	68,816	(72,666)
Decrease (increase) in prepaid expenses	(37,714)	252,513
Increase (decrease) in accounts payable and accrued Liabilities	(773,600)	3,326,897
Increase (decrease) in deferred revenue	(333,681)	361,294
	<u>(16,746)</u>	<u>2,546,877</u>
Investing activities:		
Purchase of property, plant and equipment	(7,540,899)	(9,064,974)
Financing activities:		
Increase in deferred capital contributions	5,993,355	7,512,279
Repayments on capital lease obligations	(269,436)	(316,838)
Repayment of long-term debt	(839,764)	(1,547,327)
	<u>4,884,155</u>	<u>5,648,114</u>
Net decrease in cash during the year	(2,673,490)	(869,983)
Cash, beginning of year	1,952,208	2,822,191
Cash, end of year	\$ (721,282)	\$ 1,952,208
Cash consists of:		
Bank Indebtedness	\$ (1,306,263)	\$ -
Cash - unrestricted	27,056	608,530
Cash - restricted	557,925	1,343,678
	<u>\$ (721,282)</u>	<u>\$ 1,952,208</u>

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

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization

Georgian Bay General Hospital (the "Hospital") is a not-for-profit organization and a registered charity incorporated without share capital under the laws of Ontario. The Hospital is principally involved in providing health care services to the North Simcoe Region of Ontario.

Basis of Presentation

The financial statements of the Hospital are the responsibility of management. They 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").

Income Taxes

The Hospital is a charitable organization registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain the status as an organization registered under the Act, the Hospital must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. The principal estimates in the preparation of these financial statements are the allowance for doubtful accounts, inventory valuation and obsolescence, valuation and useful life of property, plant and equipment, payroll related accruals, contingencies, and the fair value of financial instruments. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue recognized from the Ministry of Health and Long-Term Care ("Ministry") has a number of estimates. The Hospital has entered into a Hospital Service Accountability Agreement ("HSAA") that sets out the rights and obligations of the two parties with respect to funding provided to the Hospital by the Ministry for fiscal 2019. The HSAA sets out certain performance standards and obligations for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Hospital. The Ministry 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 funding received during the year may be increased or decreased subsequent to the year end. The amount of revenue recognized in these financial statements represents management's best estimates of the amounts earned during the year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventory costs for pharmacy and laboratory are generally determined on a first-in, first-out basis. Inventories of supplies are costed on a weighted average basis. Net realizable value has been determined using the current retail price.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Property, Plant and Equipment and Amortization

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	5 to 20 years straight-line basis
Buildings	40 years straight-line basis
Building service Equipment	5 to 20 years straight-line basis
Machinery and Equipment	2 to 20 years straight-line basis

Property, plant and equipment under construction are recorded at cost, based on the percentage of completion method, and are not amortized until the asset is available for productive use.

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives.

Building service Equipment	5 to 20 years straight-line basis
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Impairment of Long Lived Assets

Assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. The Hospital monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Hospital's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

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"). 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2019.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related assets.

Revenue from the Provincial Insurance Plan, preferred accommodation, and other services is recognized when the goods are sold or the service is provided.

Contributed Services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Compensated Absences

Compensated expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, statutory holidays, sick leave, and retirement allowances.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Employee Post-Retirement Benefit

The Hospital accrues its obligations under employee benefit plans and the related costs.

The cost of non-pension post-retirement and post-employment benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs.

The current service cost for the period is equal to the actuarial present value of the benefits attributed to employees' services rendered in the period.

The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

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.

The Hospital applies defined contribution accounting to its multi-employer defined benefit plan for which the Hospital has insufficient information to apply defined benefit plan accounting.

Pension Plan

The Hospital is an employer member of the Health Care of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, guaranteed investment certificates are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicated the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of position date and charged to the financial instrument for those measured at amortized cost.

The Hospital's financial instruments are comprised of cash, short-term investments, accounts receivable, accounts payable, amounts due from the Ministry and the LHIN, accrued liabilities, employee post-retirement benefits, obligations under capital lease and long-term debt.

2. Financial Instruments

i) Credit Risk

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt.

The Hospital's cash is all held at a chartered bank. Bank accounts are only insured up to \$100,000 and the Hospital has numerous bank accounts well in excess of this maximum insured amount.

The Hospital's accounts receivable is made up of a large number of small balances from customers in a number of different industries. Therefore management does not believe the Hospital is subject to significant credit risk with respect to accounts receivable.

There have not been any changes in the risk from the prior year.

ii) Liquidity Risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The hospital manages its liquidity risk by monitoring its operating requirement. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have not been any changes in the risk from the prior year.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

2. Financial Instruments (continued)

iii) Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Hospital arises from its interest bearing assets. The Hospital is exposed to interest rate risk from the variable rates on its long term debt.

The Hospital's cash includes amounts on deposit with financial institutions that earn interest at market rate plus basis points.

The Hospital manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day to day basis.

The primary objective of the Hospital with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

The Hospital manages its exposure to the interest rate risk of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

There have not been any changes in the risk from the prior year.

3. Ministry Funding/Economic Dependence

The Hospital's primary source of funding comes from the Ministry of Health and Long-Term Care and the North Simcoe Muskoka Local Health Integration Network. The Hospital is economically dependent on these agencies as it receives 85% (2018 - 84%) of its revenue from them.

The Hospital has a working capital deficit of \$9.37 million as at March 31, 2019. The accompanying financial statements have been prepared on the basis that the Hospital will continue to offer its services as a going concern.

The Hospital's ability to continue to provide services is dependent on improving its cash position. Management will continue to perform benchmarking exercises and detailed financial analysis. The Hospital is also pursuing opportunities to improve Ministry funding under the Hospital System Funding Reform ("HSFR"). These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Hospital be unable to continue as a going concern.

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

4. Cash and Bank Indebtedness

The Hospital's bank account is held at a chartered bank. The bank account earns interest at a variable rate calculated on the daily balance.

	2019	2018
Unrestricted cash	\$ 27,056	\$ 608,530
Restricted cash - capital projects	557,925	1,343,678
	\$ 584,981	\$ 1,952,208

The Hospital's operating and capital bank accounts participate in mirror netting, whereby the Hospital can overdraw on its operating account up to the balance in its capital account. The hospital also has an operating credit facility with a chartered bank to a maximum authorized amount of \$8,000,000 of which \$1,306,263 was drawn on as at March 31, 2019 (2018 - \$NIL). Interest is payable monthly and is charged on the amount drawn at the bank's prime rate minus 0.50%. The credit facility is unsecured and is due on demand.

The Hospital has various procurement business cards with a maximum credit limit of \$500,000 bearing interest at the bank's standard VISA rates and is due on demand. The amount outstanding on these cards at year-end was \$29,626 (2018 - \$34,331).

5. Accounts Receivable

	2019	2018
MOHLTC and LHIN	\$ -	\$ 1,436,478
Patients and clients	757,907	683,553
GBGH Foundation	1,580,352	933,627
Canada Revenue Agency (HST)	-	556,062
Other	1,124,583	889,037
	3,462,842	4,498,757
Less: Allowance for doubtful accounts	(85,132)	(105,301)
	\$ 3,377,710	\$ 4,393,456

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

6. Property, Plant and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 82,083	\$ -	\$ 82,083	\$ -
Land improvements	558,055	432,719	558,055	416,726
Buildings	34,096,353	14,871,811	23,770,790	14,060,144
Building service equipment	9,704,945	3,961,564	8,369,543	3,330,898
Machinery and equipment	27,691,340	20,967,130	23,392,104	19,830,463
Construction in progress	428,490	-	8,114,280	-
Program development	-	-	733,513	-
	72,561,266	40,233,224	65,020,368	37,638,231
Equipment under capital lease	1,984,754	1,718,786	1,984,754	1,586,470
	\$ 74,546,020	\$ 41,952,010	\$ 67,005,122	\$ 39,224,701
Net book value		\$ 32,594,010		\$ 27,780,421

During the prior year, Georgian Bay General Hospital and Orillia Soldiers' Memorial Hospital entered into a joint venture Birthing Program where expenditures were recorded at cost and were reclassified in the current year to machinery and equipment and amortized when the asset was put in use.

During the year, the Hospital acquired property, plant and equipment at an aggregate cost of \$7,540,899 (2018 - \$9,064,974), all of which was paid in cash.

During the year, the Hospital disposed of property, plant and equipment with an original cost of \$NIL (2018 - \$55,970) and net book value of \$NIL (2018 - \$NIL) for proceeds of \$NIL (2018 - \$NIL), which resulted in a loss on disposal of \$NIL (2018 - \$NIL).

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

7. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable and accrued liabilities		
Trade payables	\$ 4,923,431	\$ 6,652,761
MOHLTC and LHIN	667,605	334,241
Cancer Care Ontario (CCO)	62,750	56,974
Payroll accruals		
Salaries, wages, and other entitlements	5,257,682	4,489,403
Compensated absences - vacation accrual	1,124,256	999,408
- severance liability	294,565	571,102
	\$ 12,330,289	\$ 13,103,889

8. Deferred Contributions Related to Property, Plant and Equipment

Deferred contributions related to property, plant and equipment represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. These contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related asset.

	2019	2018
Balance, beginning of year	\$ 24,908,060	\$ 18,686,744
Contributions received during the year - LHIN	2,511,727	5,827,919
Contributions received during the year - County of Simcoe	665,138	-
Contributions received during the year - Foundation	2,816,490	1,684,360
Less: Amounts amortized to revenue	(1,619,771)	(1,290,963)
Balance, end of year	\$ 29,281,644	\$ 24,908,060

During the year, the Georgian Bay General Hospital Foundation approved contributions of \$2,816,490 (2018 - \$1,684,360) to the Hospital which were used for capital expenditures and are included above.

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

9. Long Term Obligations

	2019	2018
Energy improvements term loan, interest bearing at 3.49%, monthly repayments of \$34,099, maturing April 2024.	\$ 1,901,008	\$ 2,237,579
Aramark equipment term loans, interest bearing at a variable rate, matured fiscal 2019.	-	23,193
Pay equity term loan, interest bearing at prime less 0.50%, monthly repayments of \$40,000 plus interest, maturing October 2019.	280,000	760,000
Capital equipment revolving term loan, interest bearing at prime less 0.50%.	290,515	290,515
	2,471,523	3,311,287
Less amount due within one year	(629,312)	(807,135)
	\$ 1,842,211	\$ 2,504,152

The loans are secured by certain pieces of equipment.

The principal payments for the next 5 years are as follows:

2020	\$	629,312
2021		652,214
2022		374,527
2023		387,809
2024		427,661
	\$	2,471,523

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

10. Obligations Under Capital Leases

	2019	2018
Various long-term leases - Interest is payable at rates of 2.50% - 3.57%. The amount financed is repayable by monthly payments of \$3,991 - \$18,453 including interest, maturing 2019.	\$ 54,359	\$ 323,795
Less amount due within one year	(54,359)	(261,240)
	\$ -	\$ 62,555

Obligations under capital lease are secured by certain equipment.

The minimum lease payments for the next year are as follows:

2020	\$ 54,552
Less imputed interest	193
	\$ 54,359

During the year, interest of \$5,995 (2018 - \$19,896) was charged to the statement of operations related to these leases.

11. Compensated Absences

Compensated absences are absences for which employees will be paid based on sick and vacation leave. These benefits are not vested and are available immediately. Employees are permitted to accumulate their unused entitlement each year, up to the allowable maximum provided in their collective agreement.

Severance benefit is a compensation that is paid to qualified employees terminated from their employment.

These benefit liabilities have not been actuarially calculated. They are included in accounts payable and accrued liabilities. See Note 7 for further details.

Included in benefit contributions in the statement of operations is \$2,867,264 (2018 - \$3,026,735) of compensated absences.

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

12. Employee Post-Retirement Benefits

The Hospital provides post-retirement extended healthcare medical and dental benefits to a number of employees. The most recent valuation of the employee post-retirement benefits was completed as at April 1, 2018. The amounts recorded as of March 31, 2019 are based on this updated valuation. The next full valuation of the plan will be effective April 1, 2021. The accrued benefit obligation is recorded in the financial statements as follows:

a) The accrued non-pension liability is calculated as follows:

	<u>2019</u>	<u>2018</u>
Accrued benefit liability - beginning of year	\$ 3,230,600	\$ 3,311,200
Expense	136,300	138,900
Funding contributions	<u>(173,600)</u>	<u>(219,500)</u>
Accrued benefit liability - end of year	<u>\$ 3,193,300</u>	<u>\$ 3,230,600</u>

b) The non-pension benefit expense for the year is calculated as follows:

	<u>2019</u>	<u>2018</u>
Interest on accrued benefits	\$ 70,900	\$ 71,300
Adjustment for experience gains	(90,600)	(69,200)
Benefits paid for the year	<u>156,000</u>	<u>136,800</u>
Non-pension benefit expense	<u>\$ 136,300</u>	<u>\$ 138,900</u>

c) Post-employment benefit liability:

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation	\$ 2,269,600	\$ 2,216,300
Experience gains	<u>923,700</u>	<u>1,014,300</u>
Accrued benefit liability - end of year	<u>\$ 3,193,300</u>	<u>\$ 3,230,600</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.10%	2.90%
Dental cost trend rate	2.75%	2.75%
Extended health care trend rate	5.50%	5.75%

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

13. Pension Plan

All full-time and certain part-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan (HOOPP) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan managements' best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

HOOPP provides pension services to more than 357,000 active and retired members and more than 570 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, 2018 disclosed a surplus of \$13,891 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$158,965 million in respect of benefits accrued for service with actuarial assets at that date of \$172,856 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 Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital to HOOPP during the year amounted to \$2,673,726 (2018 - \$2,454,159).

Georgian Bay General Hospital Notes to Financial Statements

March 31, 2019

14. Other Entities

The Georgian Bay General Hospital Foundation ("the Foundation") was created for the purpose of promoting and participating in fundraising programs in order to raise money for the purchase of capital equipment, staff education and/or other purposes of the Hospital. During the year, the Hospital received donations amounting to \$2,816,490 (2018 - \$1,684,360) from the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The net assets and results from operations of the Foundation are not included in the financial statements of the Hospital.

15. Contingencies

a) Legal matters and litigation

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any one time. With respect to claims as at March 31, 2019, it is management's position that the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes such claims are not expected to have a material effect on the Hospital's financial position.

b) Insurance

A group of healthcare institutions, including the hospital, are members of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2019, no assessments have been received.

c) Employment matters

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

**Georgian Bay General Hospital
Notes to Financial Statements**

March 31, 2019

16. MOHLTC/NSM LHIN Hospital On-Call Coverage

The Hospital has an agreement with the MOHLTC for Hospital On-Call Coverage. The revenues and expenses included in the statement of operations are as follows.

	<u>2019</u>	<u>2018</u>
Funding from MOHLTC- current year	\$ 1,112,499	\$ 1,112,499
Payments to physicians	(1,112,494)	(1,112,489)
	<u>\$ 5</u>	<u>\$ 10</u>

17. Comparative Figures

Certain of the March 31, 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2019.
