# Financial statements of
# Georgian Bay General Hospital

March 31, 2020

| | |
|---|---|
| Independent Auditor’s Report | 1–2 |
| Statement of financial position | 3 |
| Statement of operations | 4 |
| Statement of deficiency in net assets | 5 |
| Statement of cash flows | 6 |
| Notes to the financial statements | 7–16 |

Deloitte.

Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

# 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, 2020, 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 (collectively referred to as the "financial statements").

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 the results of its operations, changes in net assets, 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 ("Canadian GAAS"). 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.

## Emphasis of Matter

We draw attention to Note 3 to the financial statements, which describes the Hospital's economic dependence on the Ministry of Health 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 the 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 GAAS 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 GAAS, 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.

## Other Matter

The financial statements of Georgian Bay General Hospital as at and for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on May 23, 2019.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 28, 2020

## Georgian Bay General Hospital

**Statement of financial position**

As at March 31, 2020

| | Notes | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash | 4 | **481,746** | 584,981 |
| Accounts receivable | 5 | **3,743,369** | 3,377,710 |
| Inventories | | **570,946** | 757,303 |
| Prepaid expenses | | **393,362** | 302,711 |
| | | **5,189,423** | 5,022,705 |
| Capital assets | 6 | **35,067,662** | 32,594,010 |
| | | **40,257,085** | 37,616,715 |
| **Liabilities and deficiency in net assets** | | | |
| Current liabilities | | | |
| Bank indebtedness | 4 | **4,165,436** | 1,306,263 |
| Accounts payable and accrued liabilities | 7 | **14,417,339** | 12,330,289 |
| Deferred revenue | | **84,815** | 72,894 |
| Current portion of obligations under capital lease | | **—** | 54,359 |
| Current portion of long-term obligations | 9 | **821,110** | 629,312 |
| | | **19,488,700** | 14,393,117 |
| Employee post-retirement benefits | 10 | **3,140,100** | 3,193,300 |
| Deferred capital contributions | 8 | **30,120,797** | 29,281,644 |
| Long term obligations | 9 | **3,124,471** | 1,842,211 |
| | | **55,874,068** | 48,710,272 |
| Contingencies | 13 | | |
| **Deficiency in net assets** | | **(15,616,983)** | (11,093,557) |
| | | **40,257,085** | 37,616,715 |

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

On behalf of the Board

_____________________________, Director

_____________________________, Director

**Georgian Bay General Hospital**
**Statement of operations**
Year ended March 31, 2020

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Revenue** | | | |
| North Simcoe Muskoka Local Health Integration Network ("LHIN")/Ministry of Health | 3 | **55,781,982** | 54,802,737 |
| Patient services | | **4,363,098** | 4,407,068 |
| Marketed services | | **903,751** | 923,730 |
| Other | | **4,370,468** | 3,594,208 |
| Amortization of deferred capital contributions related to machinery and equipment | | **1,415,931** | 1,006,322 |
| | | **66,835,230** | 64,734,065 |
| **Expenses** | | | |
| Salaries and wages | | **35,372,149** | 33,529,985 |
| Benefit contributions | | **10,750,881** | 9,108,709 |
| Medical staff remuneration | | **3,947,232** | 4,033,970 |
| Drugs | | **3,587,568** | 3,510,997 |
| Medical and surgical supplies | | **2,819,716** | 2,174,652 |
| Supplies and other expenses | | **12,195,877** | 11,164,148 |
| Amortization of machinery and equipment | | **1,553,752** | 1,135,712 |
| | | **70,227,175** | 64,658,173 |
| (Deficiency) surplus of revenue over expenses from hospital operations before undernoted items | | **(3,391,945)** | 75,892 |
| Amortization - deferred capital contributions for buildings, land improvements and buildings service equipment | | **641,464** | 613,449 |
| Amortization - buildings, land improvements and building service equipment | | **(1,689,490)** | (1,591,598) |
| Deficiency of revenue over expenses before undernoted items | | **(4,439,971)** | (902,257) |
| Interest on long-term debt | | **(83,455)** | (124,295) |
| **Deficiency of revenue over expenses** | | **(4,523,426)** | (1,026,552) |

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

## Georgian Bay General Hospital
### Statement of deficiency in net assets
Year ended March 31, 2020

| | Invested in capital assets<br>$ | Unrestricted<br>$ | 2020<br>$ | 2019<br>$ |
|---|---|---|---|---|
| **Deficiency in net assets, beginning of year** | **3,258,007** | **(14,351,564)** | **(11,093,557)** | (10,067,005) |
| Net investment in capital assets | **2,874,705** | **(2,874,705)** | **—** | — |
| Deficiency of revenue over expenses | **(1,185,847)** | **(3,337,579)** | **(4,523,426)** | (1,026,552) |
| **Deficiency in net assets, end of year** | **4,946,865** | **(20,563,848)** | **(15,616,983)** | (11,093,557) |

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

# Georgian Bay General Hospital
## Statement of cash flows
Year ended March 31, 2020

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Excess of revenue over expenses | **(4,523,426)** | (1,026,552) |
| Adjustments for: | | |
| Amortization of capital assets | **3,243,242** | 2,727,310 |
| Amortization of deferred capital contributions | **(2,057,395)** | (1,619,771) |
| Decrease in employee future benefit liability | **(53,200)** | (37,300) |
| Gain on disposal of capital assets | **(231,704)** | — |
| | **(3,622,483)** | 43,687 |
| Change in non-cash working capital | | |
| Accounts receivable | **(365,659)** | 1,015,746 |
| Inventories | **186,357** | 68,816 |
| Prepaid expenses | **(90,651)** | (37,714) |
| Accounts payable and accrued liabilities | **2,087,050** | (773,600) |
| Deferred revenue | **11,921** | (333,681) |
| | **(1,793,465)** | (16,746) |
| **Investing activities** | | |
| Purchase of capital assets | **(5,723,940)** | (7,540,899) |
| Proceeds on sale of capital assets | **238,750** | — |
| | **(5,485,190)** | (7,540,899) |
| **Financing activities** | | |
| Deferred capital contributions received | **2,896,548** | 5,993,355 |
| Issuance of long term debt | **2,609,284** | — |
| Repayments on capital lease obligations | **(54,359)** | (269,436) |
| Repayment of long-term obligations | **(1,135,226)** | (839,764) |
| | **4,316,247** | 4,884,155 |
| Net decrease in cash during the year | **(2,962,408)** | (2,673,490) |
| Cash, beginning of year | **(721,282)** | 1,952,208 |
| **Cash, end of year** | **(3,683,690)** | (721,282) |
| **Cash consists of:** | | |
| Bank indebtedness | **(4,165,436)** | (1,306,263) |
| Cash - unrestricted | **88,267** | 27,056 |
| Cash - restricted | **393,479** | 557,925 |
| | **(3,683,690)** | (721,282) |

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

## 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, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

*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.

*Use of estimates*

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 capital assets, 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 ("MOH") 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 MOH for fiscal 2020. 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 MOH has the right to adjust funding received by the Hospital. The MOH 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 or replacement cost. 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.

## 1. Significant accounting policies (continued)

*Capital Assets and amortization*

Purchased capital assets are recorded at cost. Contributed capital assets 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 |

Capital assets under construction or in development 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 of 5-20 years.

*Impairment of long lived assets*

When conditions indicate a tangible capital asset no longer contributes to the Hospital’s ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset will be reduced to reflect the decline in the asset’s value.

*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 MOH. 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 MOH with respect to the year ended March 31, 2020.

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 capital assets 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.

## 1. Significant accounting policies (continued)

*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.

*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 Healthcare 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 costs, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

*Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Hospital becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations.

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

## 2. Financial risks

*(a) 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 Canadian chartered banks which are insured by the Canadian Deposit Insurance Corporation.

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

*(b) 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.

*(c) Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its Bank indebtedness.

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 MOH and the LHIN. The Hospital is economically dependent on these agencies as it receives 83% (85% in 2019) of its revenue from them.

The Hospital has a working capital deficit of $14.3 million as at March 31, 2020. 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.

## 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.

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Unrestricted cash | **88,267** | 27,056 |
| Restricted cash – capital projects | **393,479** | 557,925 |
| | **481,746** | 584,981 |

## 4. Cash and bank indebtedness (continued)

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 $4,165,436 was drawn on as at March 31, 2020 ($1,306,263 in 2019). 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 $66,245 ($29,626 in 2019).

## 5. Accounts receivable

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| MOH and LHIN | **213,550** | — |
| Patients and clients | **1,130,508** | 757,906 |
| GBGH Foundation | **1,999,336** | 1,580,352 |
| Canada Revenue Agency (HST) | **355,210** | — |
| Other | **129,897** | 1,124,583 |
| | **3,828,501** | 3,462,841 |
| Less allowance for doubtful accounts | **(85,132)** | (85,131) |
| | **3,743,369** | 3,377,710 |

## 6. Capital assets

| | | **2020** | | 2019 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | Cost | Accumulated amortization |
| | **$** | **$** | $ | $ |
| Land | **82,083** | **—** | 82,083 | — |
| Land improvements | **558,055** | **448,714** | 558,055 | 432,719 |
| Buildings | **34,148,962** | **15,742,171** | 34,096,353 | 14,871,811 |
| Building service equipment | **10,492,490** | **4,630,731** | 9,704,945 | 3,961,564 |
| Machinery and equipment | **31,192,039** | **24,340,435** | 29,676,094 | 22,685,916 |
| Construction in progress | **2,254,667** | **—** | 428,490 | — |
| Project in progress | | | | |
| Meditech Expanse | **1,501,417** | **—** | — | — |
| | **80,229,713** | **45,162,051** | 74,546,020 | 41,952,010 |
| Net book value | | **35,067,662** | | 32,594,010 |

Collingwood General and Marine Hospital, Georgian Bay General Hospital, Headwaters Health Care Centre and Royal Victoria Regional Health Centre have entered into a Partnership to implement the Meditech Expanse software system to improve the quality of care, patient safety and enrich data to support clinical decision making. Capital costs related to the project are reported in Project in progress - Meditech Expanse above.

## 7. Accounts payable and accrued liabilities

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Accounts payable and accrued liabilities | | |
| Trade payables | **7,385,080** | 5,072,996 |
| MOH and LHIN | **497,069** | 667,605 |
| Ontario Health - Cancer Care Ontario Division (OH-CCO) | **84,537** | 62,750 |
| Payroll accruals | | |
| Salaries, wages, vacation, and other entitlements | **6,450,653** | 6,526,938 |
| | **14,417,339** | 12,330,289 |

## 8. Deferred capital contributions

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

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **29,281,644** | 24,908,060 |
| Contributions received during the year – LHIN | **1,829,855** | 3,176,865 |
| Contributions received during the year – Foundation (Note 12) | **1,066,693** | 2,816,490 |
| Less: Amounts amortized to revenue | **(2,057,395)** | (1,619,771) |
| Balance, end of year | **30,120,797** | 29,281,644 |

## 9. Long-term obligations

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Energy improvements term loan, interest bearing at 3.49%, monthly repayments of $34,099, maturing April 2024 | **1,541,820** | 1,901,008 |
| Pay equity term loan, interest bearing at prime less 0.50%, monthly repayments of $40,000 plus interest, matured October 2019 | **—** | 280,000 |
| Capital equipment revolving term loan, interest bearing at prime less 0.50% | **2,403,761** | 290,515 |
| | **3,945,581** | 2,471,523 |
| Less amount due within one year | **(821,110)** | (629,312) |
| | **3,124,471** | 1,842,211 |

## 9. Long-term obligations (continued)

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

| | $ |
|---|---|
| 2021 | 821,110 |
| 2022 | 855,692 |
| 2023 | 884,532 |
| 2024 | 878,456 |
| 2025 | 505,791 |
| | 3,945,581 |

## 10. 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, 2020. The amounts recorded as of March 31, 2020 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:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Accrued benefit liability, beginning of year | **3,193,300** | 3,230,600 |
| Expense for year | **148,100** | 136,300 |
| Funding contributions | **(201,300)** | (173,600) |
| Accrued benefit liability, end of year | **3,140,100** | 3,193,300 |

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

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Accrual for services | **166,500** | 156,000 |
| Interest on accrued benefits | **67,200** | 70,900 |
| Amortization of actuarial gains | **(85,600)** | (90,600) |
| Non-pension benefit expense | **148,100** | 136,300 |

(c) Post-employment benefit liability:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Accrued benefit obligation | **2,322,900** | 2,269,600 |
| Experience gains | **817,200** | 923,700 |
| Accrued benefit liability, end of year | **3,140,100** | 3,193,300 |

## 10. Employee post-retirement benefits (continued)

(c) (continued)

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

| | **2020** | 2019 |
|---|---|---|
| | **%** | % |
| Discount rate | **3.00** | 3.10 |
| Dental cost trend rate | **2.75** | 2.75 |
| Extended health care trend rate | **6.00** | 6.00 |

## 11. Pension plan

All full-time and certain part-time employees of the Hospital are members of 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 HOOPP 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 are 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 381,000 active and retired members and more than 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 $107,279 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 Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital to HOOPP during the year amounted to $2,850,117 ($2,673,726 in 2019).

## 12. 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 $1,124,963 ($2,850,449 in 2019) from the Foundation, of which $1,066,693 ($2,816,490 in 2019) was used for capital expenditures. 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.

## 13. 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, 2020, 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, 2020, 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.

## 14. MOH/NSM LHIN Hospital On-Call Coverage

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

| | **2020**<br>**$** | 2019<br>$ |
|---|---|---|
| Funding from MOH – current year | **1,118,100** | 1,112,499 |
| Payments to physicians | **(1,119,049)** | (1,112,494) |
| | **(949)** | 5 |

## 15. Covid-19 Pandemic Response

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Hospital has tracked expenditures related to its pandemic response and will apply for reimbursement of hospital-incurred expenditures once Provincial processes for such reimbursement are finalized. Any recoveries that may be received in the future will be recognized in the period in which approval is obtained.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Hospital in future periods.