

BINGHAM MEMORIAL HOSPITAL

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2018



Eric G. Gagnon Professional Corporation
Noël G. Cantin Professional Corporation
Julie A. Lemieux CPA, CA
Martine Lemaire-Mignault CPA, CA
Daniel D. Gagné CPA, CA
Chad Lauzon CPA, CA

Collins Barrow
Gagné Gagnon Bisson Hébert
Chartered Professional Accountants
2 Ash Street, Suite 2
Kapuskasing, Ontario P5N 3H4
T: 705.337.6411
F: 705.335.6563
www.collinsbarrow.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bingham Memorial Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Bingham Memorial Hospital, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, remeasurement gains, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards 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.

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bingham Memorial Hospital as at March 31, 2018, and the results of its operations, its remeasurement gains, its changes in net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Professional Accountants
Licenced Public Accountants
June 11, 2018

BINGHAM MEMORIAL HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2018

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BINGHAM MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2018

	Budget (Unaudited)	2018 Actual	2017 Actual
REVENUES			
Ministry of Health and Long-Term Care, schedule 1	\$ 7,064,327	\$ 7,164,760	\$ 7,093,374
Ontario Health Insurance	47,250	45,412	42,594
Other patient care revenue	539,550	455,740	512,479
Recoveries and other revenue	77,000	81,605	84,458
Investment income	15,000	24,667	19,830
Gain on disposition of capital assets	-	33,222	-
Amortization of deferred capital contributions - equipment and software	40,000	22,016	31,859
	<u>7,783,127</u>	<u>7,827,422</u>	<u>7,784,594</u>
EXPENSES			
Salaries and wages, schedule 2	3,801,508	3,533,833	3,345,315
Employee benefits	1,132,001	1,054,352	976,950
Medical staff remuneration	917,300	910,442	948,722
Supplies and other expenses, schedule 3	1,581,511	1,597,390	1,543,707
Medical and surgical supplies	91,000	56,515	98,633
Drugs and medical gases	132,170	54,793	81,017
Loss on disposition of capital assets	-	-	1,508
Amortization of equipment and software	122,000	107,230	90,832
	<u>7,777,490</u>	<u>7,314,555</u>	<u>7,086,684</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>5,637</u>	<u>512,867</u>	<u>697,910</u>
Amortization of deferred capital contributions - buildings	225,000	247,450	241,046
Amortization of buildings	(225,000)	(297,262)	(277,933)
	<u>-</u>	<u>(49,812)</u>	<u>(36,887)</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER VOTES	<u>5,637</u>	<u>463,055</u>	<u>661,023</u>
OTHER VOTES - MUNICIPAL LEVY			
Revenue	3,000	3,000	3,000
Expense	(3,000)	(3,000)	(3,000)
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 5,637</u>	<u>\$ 463,055</u>	<u>\$ 661,023</u>

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

BINGHAM MEMORIAL HOSPITAL
STATEMENT OF REMEASUREMENT GAINS
YEAR ENDED MARCH 31, 2018

	2018	2017
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 154,301	\$ 104,770
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	(4,201)	49,531
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 150,100	\$ 154,301

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

BINGHAM MEMORIAL HOSPITAL
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	Invested in Capital Assets (note 12)	Unrestricted	Total 2018	Total 2017
BALANCE, BEGINNING OF YEAR	\$ 962,535	\$ 2,717,414	\$ 3,679,949	\$ 2,969,395
EXCESS OF REVENUES OVER EXPENSES	-	463,055	463,055	661,023
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 12)	359,600	(359,600)	-	-
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	(4,201)	(4,201)	49,531
BALANCE, END OF YEAR	\$ 1,322,135	\$ 2,816,668	\$ 4,138,803	\$ 3,679,949

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


BINGHAM MEMORIAL HOSPITAL**STATEMENT OF FINANCIAL POSITION****MARCH 31, 2018**

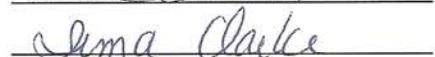
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 78,125	\$ 17,011
Accounts receivable (note 4)	248,561	369,290
Inventories	153,668	135,327
Short-term investments (note 5)	530,414	570,890
Due from MICs Group of Health Services (note 6)	2,343,633	1,893,676
	3,354,401	2,986,194
INVESTMENTS (note 7)	649,577	635,307
CAPITAL ASSETS (note 8)	4,688,962	3,755,324
	\$ 8,692,940	\$ 7,376,825
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	\$ 395,895	\$ 147,464
Deferred revenue	130,095	128,288
	525,990	275,752
POST-EMPLOYMENT BENEFITS (note 10)	628,915	605,749
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	3,399,232	2,815,375
	4,554,137	3,696,876
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 12)	1,322,135	962,535
UNRESTRICTED	2,816,668	2,717,414
	4,138,803	3,679,949
	\$ 8,692,940	\$ 7,376,825

CONTINGENCIES AND COMMITMENTS - note 15

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

On behalf of the board

 Director

 Director

BINGHAM MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING ACTIVITIES		
EXCESS OF REVENUES OVER EXPENSES	\$ 463,055	\$ 661,023
Items not involving cash:		
Amortization of capital assets - buildings	297,262	277,933
Amortization of capital assets - equipment and software	107,230	90,832
Amortization of deferred capital contributions - buildings	(247,450)	(241,046)
Amortization of deferred capital contributions - equipment and software	(22,016)	(31,859)
Accrual for post-employment benefits	23,166	18,971
Loss (gain) on disposition of capital assets	(33,222)	1,508
Transfer of deferred capital contributions to accounts payable	(83,742)	-
	504,283	777,362
Changes in:		
Accounts receivable	120,729	(205,013)
Inventories	(18,341)	(12,490)
Accounts payable and accrued liabilities	248,431	(126,262)
Deferred revenue	1,807	(1,239)
	856,909	432,358
INVESTING ACTIVITIES		
Purchase of investments	(559,162)	(603,924)
Proceeds on disposition of investments	581,167	561,519
	22,005	(42,405)
FINANCING ACTIVITIES		
Advances from MICs Group of Health Services	8,062,921	7,283,866
Advances to MICs Group of Health Services	(8,512,878)	(7,431,318)
	(449,957)	(147,452)
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,348,240)	(467,249)
Proceeds of disposition of capital assets	43,332	-
Capital contributions received	937,065	195,037
	(367,843)	(272,212)
CHANGE IN CASH POSITION	61,114	(29,711)
CASH POSITION, BEGINNING OF YEAR	17,011	46,722
CASH POSITION, END OF YEAR	\$ 78,125	\$ 17,011

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

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

1. STATUS AND NATURE OF OPERATIONS

The Hospital, incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act, at 507 8th Ave, Matheson, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements 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 and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital. The revenues, expenses, assets and liabilities with respect to the operations of the Hospital Auxiliary and the MICs Healthcare Foundation are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them.

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting. Under the deferral method, revenues are recorded in the period to which they relate.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the North East Local Health Integration Network (North East LHIN) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year are accrued.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants, donations and other contributions received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the provincial insurance plans, and uninsured patients, operational revenue and other services and recoveries are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

INVENTORIES

Inventories of all hospital supplies are valued at the lower of average cost and replacement value and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. 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 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 amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land improvements	8 years
Buildings	10-40 years
Equipment	5-20 years
Software	3-5 years

The cost of capital projects in progress is recorded as capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the North East Local Health Integration Network. The Hospital is allowed to retain any excess of revenues over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

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

Multi-employer defined benefit pension

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

Post-employment benefits

i) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, 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.

ii) Past service costs (if any) arising from plan amendments are immediately recognized.

iii) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health and Long-Term Care.

FINANCIAL INSTRUMENTS

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

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has designated its cash and cash equivalents and its investments at fair value as they are managed and evaluated on a fair value basis.

They are 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.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

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 accounts receivable, due from MICs Group of Health Services 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.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity 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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the allowance for doubtful accounts, the useful life of capital assets, the actuarial estimation of post-employment benefits, accrued liabilities and contingencies. Actual results could differ from those estimates.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

3. FINANCIAL INSTRUMENT CLASSIFICATION

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

	2018		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 78,125	\$ -	\$ 78,125
Accounts receivable	\$ -	\$ 248,561	\$ 248,561
Short-term investments	\$ 530,414	\$ -	\$ 530,414
Due from MICs Group of Health Services	\$ -	\$ 2,343,633	\$ 2,343,633
Investments	\$ 649,577	\$ -	\$ 649,577
Accounts payable and accrued liabilities	\$ -	\$ 395,895	\$ 395,895

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 17,011	\$ -	\$ 17,011
Accounts receivable	\$ -	\$ 369,290	\$ 369,290
Short-term investments	\$ 570,890	\$ -	\$ 570,890
Due from MICs Group of Health Services	\$ -	\$ 1,893,676	\$ 1,893,676
Investments	\$ 635,307	\$ -	\$ 635,307
Accounts payable and accrued liabilities	\$ -	\$ 147,464	\$ 147,464

The following provides details 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 and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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).

Cash and cash equivalents, short-term investments and investments are considered Level 1 fair value. There were no transfers between levels for the year ended March 31, 2018.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
Insurers and patients	\$ 56,474	\$ 78,991
North East Local Health Integration Network	-	105,000
HST rebates receivable	147,416	166,017
Other receivables	44,671	19,282
	<u>\$ 248,561</u>	<u>\$ 369,290</u>

5. SHORT-TERM INVESTMENTS

	2018 Cost	2018 Fair Market Value	2017 Cost	2017 Fair Market Value
Guaranteed Investment Certificates, earning interest at a rates between 1.10% and 2.20%, maturing in June 2018 and September 2018, carried at fair market value	\$ 372,798	\$ 374,468	\$ 415,089	\$ 416,412
Guaranteed Investment Certificate, earning interest at a rate of 0.60%, maturing in April 2019, carried at fair market value	155,946	155,946	154,478	154,478
	<u>\$ 528,744</u>	<u>\$ 530,414</u>	<u>\$ 569,567</u>	<u>\$ 570,890</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

6. DUE FROM MICS GROUP OF HEALTH SERVICES

The Hospital exercises significant influence over the MICs Group of Health Services (MICs) by virtue of it being a member of the Partnership and its ability to appoint some of the members of the Board of Directors. The Partnership was established to increase opportunities for collaboration between its member hospitals (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital) in the sharing of costs and provision of health services. The Partnership is a non-profit organization.

Included in the Hospital's expenses for the year is \$ 4,814,687 (2017 - \$ 4,603,233) paid or payable to the Partnership for the Hospital's share of various cost functions primarily administration and support services. The share of costs to participating hospitals are set by a methodology agreed to by the Board on a cost recovery basis. The deficiency of amounts paid or to be paid by MICs on behalf of the Hospital over amounts received by MICs on behalf of the Hospital is noted below:

	2018	2017
Due from MICS Group of Health Services	\$ 2,343,633	\$ 1,893,676

The balance due from MICs Group of Health Services is unsecured, non-interest bearing with no specific terms of repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Information systems network, software and hardware, as well as office equipment shared by the three participating hospitals are recorded as capital assets and the respective Hospital's share of the related costs are recorded when the capital assets are amortized. Any capital contributions, grants or donations received for the acquisition of capital assets are deferred and the respective Hospital's share of the related revenue is recorded when the contribution is amortized.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018****7. INVESTMENTS**

	2018 Cost	2018 Fair Market Value	2017 Cost	2017 Fair Market Value
Mutual funds, carried at fair market value	\$ 501,147	\$ 649,577	\$ 482,329	\$ 635,307

The above investments include restricted investments of \$ 74,126 (2017 - \$ 73,104) held for use for physician recruitment and retention.

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net	2017 Net
Land	\$ 159,212	\$ -	\$ 159,212	\$ 159,212
Land improvements	172,227	58,162	114,065	131,392
Buildings	9,311,796	5,407,381	3,904,415	3,028,534
Equipment	3,086,890	2,575,620	511,270	432,264
Software	115,560	115,560	-	3,922
	<u>\$ 12,845,685</u>	<u>\$ 8,156,723</u>	<u>\$ 4,688,962</u>	<u>\$ 3,755,324</u>

As at March 31, 2018, there were \$ 918,284 (2017 - \$ 72,692) of capital projects in progress. These assets were not amortized.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trades payable and accrued liabilities	\$ 298,899	\$ 136,284
Ministry of Health and Long Term Care	96,996	11,180
	<u>\$ 395,895</u>	<u>\$ 147,464</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

10. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post employment extended health coverage, dental benefits and life insurance 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 liability was determined by an actuarial valuation dated May 2, 2018 for the year ended March 31, 2018. The following tables outlines the components of the Hospital's accrued post-employment benefit liability and benefit expense:

ACCRUED BENEFIT LIABILITY

	Hospital	Share of MICS	2018 Total	2017 Total
Accrued benefit obligation	\$ 532,044	\$ 83,958	\$ 616,002	\$ 558,971
Unamortized actuarial loss (gain)	22,254	(9,341)	12,913	46,778
Accrued benefit liability	<u>\$ 554,298</u>	<u>\$ 74,617</u>	<u>\$ 628,915</u>	<u>\$ 605,749</u>

BENEFIT EXPENSE

	Hospital	Share of MICS	2018 Total	2017 Total
Accrued benefit obligation, beginning of year	\$ 484,747	\$ 74,224	\$ 558,971	\$ 506,256
Unamortized actuarial loss (gain)	47,491	(713)	46,778	80,522
Accrued benefit liability, beginning of year	532,238	73,511	605,749	586,778
Current service cost	19,448	4,765	24,213	22,378
Interest on obligation	17,354	2,643	19,997	19,137
Amortization of actuarial loss (gain)	(6,332)	96	(6,236)	(10,472)
Benefit expense	<u>30,470</u>	<u>7,504</u>	<u>37,974</u>	<u>31,043</u>
Benefit payment	<u>(8,410)</u>	<u>(6,398)</u>	<u>(14,808)</u>	<u>(12,072)</u>
Accrued benefit liability, end of year	<u>\$ 554,298</u>	<u>\$ 74,617</u>	<u>\$ 628,915</u>	<u>\$ 605,749</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

10. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 13.

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

Discount rate

The present value of the future benefits was determined using a discount rate of 3.37% (2017 - 3.56 %) which is the discount rate recommended by the Ministry of Health and Long-Term Care.

Extended Health Coverage

Extended Health Coverage is assumed to increase at a rate of 8% per annum (2017 - 8%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2017 - 4.5%).

Dental costs

Dental costs is assumed to increase at 4% per annum (2017 - 4%).

Sensitivity of results

The impact of a 1% change in the above rates for extended health coverage and dental costs is as follows:

	1% increase		1% decrease	
Accrued benefit obligation, end of year	\$	49,966	\$	(43,667)
Current service cost, next year		5,780		(4,875)

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018****11. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The changes in the deferred capital contributions balances are as follows:

	2018	2017
CAPITAL CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 10,018,916	\$ 9,823,879
Funding received during the year	937,065	195,037
Transfer of deferred capital contributions to accounts payable	(83,742)	-
Balance, end of year	<u>10,872,239</u>	<u>10,018,916</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(7,203,541)	(6,930,636)
Amortization - buildings	(247,450)	(241,046)
Amortization - equipment and software	(22,016)	(31,859)
Balance, end of year	<u>(7,473,007)</u>	<u>(7,203,541)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u>\$ 3,399,232</u>	<u>\$ 2,815,375</u>

Included in deferred capital contributions are donations and grants reserved for the purchase of capital assets that are unspent. Unspent contributions are subject to recovery by the funder. These contributions are comprised of:

	2018	2017
Donations	\$ 32,405	\$ 15,579
MICs Healthcare Foundation	-	7,007
	<u>\$ 32,405</u>	<u>\$ 22,586</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

12. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 4,688,962	\$ 3,755,324
Deferred capital contributions	(3,399,232)	(2,815,375)
Unspent deferred capital contributions (note 11)	32,405	22,586
	<u>\$ 1,322,135</u>	<u>\$ 962,535</u>

The interfund transfer and the change in invested in capital assets is calculated as follows:

	2018	2017
CAPITAL ASSETS ACTIVITIES		
Purchase of capital assets	\$ 1,348,240	\$ 467,249
Amortization of capital assets - buildings	(297,262)	(277,933)
Amortization of capital assets - equipment and software	(107,230)	(90,832)
Proceeds of disposition of capital assets	(43,332)	-
Gain (loss) on disposition of capital assets	33,222	(1,508)
	<u>933,638</u>	<u>96,976</u>
DEFERRED CAPITAL CONTRIBUTIONS ACTIVITIES		
Capital contributions received during the year	(937,065)	(195,037)
Transfer of deferred capital contributions to accounts payable	83,742	-
Transfer to (from) unspent deferred capital contributions	9,819	(24,912)
Amortization of deferred capital contributions - buildings	247,450	241,046
Amortization of deferred capital contributions - equipment and software	22,016	31,859
	<u>(574,038)</u>	<u>52,956</u>
	<u>\$ 359,600</u>	<u>\$ 149,932</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

13. RETIREMENT BENEFITS

Substantially all of the Hospital's employees are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$ 285,642 (2017 - \$ 268,060) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. Any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the organization does not recognize any share of the Plan's surplus or deficit. No contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to the Plan policies. The most recent actuarial valuation of the Plan at December 31, 2017 indicated that the Plan is fully funded on a solvency basis.

14. RELATED PARTY TRANSACTIONS

MICs Healthcare Foundation is a corporation without share capital jointly controlled by the three participating hospitals of the MICs Group of Health Services partnership. It has its own Board of Directors. The Foundation was incorporated primarily for the purpose of raising funds for the use by the three hospitals (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital). Transactions are valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The financial results of the Foundation is not consolidated in the financial statements of the Hospital.

15. CONTINGENCIES AND COMMITMENTS

a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2018, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.

b) The MICs Group of Health Services is part of a collective group of employers participating in the process of formulating a central pay equity plan for a particular employee group. The possible ultimate liability arising to the Hospital on completion of the plan is currently not determinable.

c) As at March 31, 2018, the Hospital has a further commitment of \$ 519,746 in relation to current capital projects in progress.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

16. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the North East Local Integration Network. The Hospital's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

The Hospital is exposed to credit risk in the event of non-payment by their debtors for their accounts receivable. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The hospital is exposed to this risk relating to its cash and cash equivalents, accounts receivable and investments and amounts due from MICs Group of Health Services.

The Hospital holds its cash account with federally regulated chartered banks who are insured by the Deposit Insurance Corporation of Ontario.

Accounts receivable are generally due from government agencies, insurers and patients and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospital's historical experience regarding collections. The amounts outstanding as at March 31, 2018 are as follows:

	Total	Current	31-60 days	61-90 days	90+ days
Insurers and patients	\$ 56,474	\$ 47,589	\$ 2,664	\$ 7,175	(954)
HST rebates	147,416	147,416	-	-	-
Other	44,671	44,671	-	-	-
	<u>\$ 248,561</u>	<u>\$ 239,676</u>	<u>\$ 2,664</u>	<u>\$ 7,175</u>	<u>(954)</u>

The Hospital performs ongoing evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

The Hospital's investment policy puts limits on the bond portfolio including portfolio composition units, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. Investments are monitored by management and measured for performance on a regular basis.

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.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018**

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)**LIQUIDITY RISK**

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. The Hospital mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. The Hospital believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

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 of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates. The interest rate risk is related to the adverse fluctuation of the interest rate on investment revenue, on fair value of investments and on economic value of net assets. Conservative management is exercised to minimize the impact of any eventual fluctuation of interest rates.

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.

BINGHAM MEMORIAL HOSPITAL**SCHEDULES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2018****MINISTRY OF HEALTH AND LONG-TERM CARE****Schedule 1**

	Budget (Unaudited)	2018 Actual	2017 Actual
North East LHIN - Base allocation	\$ 6,175,527	\$ 6,191,927	\$ 6,070,527
Ministry of Health - Physician specific	888,800	872,450	871,475
Ministry of Health - One-time funding	-	100,383	151,372
	<u>\$ 7,064,327</u>	<u>\$ 7,164,760</u>	<u>\$ 7,093,374</u>

SCHEDULE OF SALARIES AND WAGES**Schedule 2**

	Budget (Unaudited)	2018 Actual	2017 Actual
Nursing services	\$ 2,145,120	\$ 2,015,245	\$ 1,912,245
Diagnostic and therapeutic	595,280	476,101	432,091
Education	19,983	19,766	20,583
Administration and other	<u>1,041,125</u>	<u>1,022,721</u>	<u>980,396</u>
	<u>\$ 3,801,508</u>	<u>\$ 3,533,833</u>	<u>\$ 3,345,315</u>

SCHEDULE OF SUPPLIES AND OTHER EXPENSES**Schedule 3**

	Budget (Unaudited)	2018 Actual	2017 Actual
Nursing services	\$ 45,750	\$ 109,993	\$ 96,197
Diagnostic and therapeutic	455,200	412,770	416,354
Education	42,060	27,427	19,334
Administration and other	<u>1,038,501</u>	<u>1,047,200</u>	<u>1,011,822</u>
	<u>\$ 1,581,511</u>	<u>\$ 1,597,390</u>	<u>\$ 1,543,707</u>