

BINGHAM MEMORIAL HOSPITAL

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

MARCH 31, 2020

Baker Tilly HKC
2 Ash Street, Suite 2
Kapuskasing, ON
Canada P5N 3H4

T: 705.337.6411
F: 705.335.6563

kapuskasing@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bingham Memorial Hospital

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, and its results of its operations 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 organization 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.

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 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

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 organization'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 organization'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 organization 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.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
June 19, 2020

BINGHAM MEMORIAL HOSPITAL
FINANCIAL STATEMENTS

MARCH 31, 2020

Statement of Operations	1
Statement of Changes in Net Assets	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 19
Schedule of Ministry Of Health and Long-Term Care	20
Schedule of Salaries and Wages	20
Schedule of Supplies and Other Expenses	20

BINGHAM MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
REVENUES			
Ministry of Health and Long-Term Care, schedule 1	\$ 7,289,203	\$ 7,572,818	\$ 7,257,232
Ontario Health Insurance	25,250	37,756	12,599
Other patient care revenue	476,450	556,842	497,065
Recoveries and other revenue	144,700	83,437	130,637
Realized gains on disposition of investments	-	-	154,168
Gain on disposition of capital assets	-	-	68,778
Amortization of deferred capital contributions - equipment and software	25,000	42,289	21,600
	<u>7,960,603</u>	<u>8,293,142</u>	<u>8,142,079</u>
EXPENSES			
Salaries and wages, schedule 2	3,908,214	3,791,489	3,757,191
Employee benefits	1,172,464	1,064,545	1,085,495
Medical staff remuneration	890,476	877,058	836,333
Supplies and other expenses, schedule 3	1,667,850	1,729,612	1,469,119
Medical and surgical supplies	75,000	55,064	59,449
Drugs and medical gases	125,000	76,431	59,546
Loss on disposition of capital assets	-	-	1,125
Amortization of equipment and software	120,000	139,612	123,114
	<u>7,959,004</u>	<u>7,733,811</u>	<u>7,391,372</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>1,599</u>	<u>559,331</u>	<u>750,707</u>
Amortization of deferred capital contributions - buildings	225,000	305,088	311,077
Amortization of buildings	(225,000)	(424,500)	(342,888)
	<u>-</u>	<u>(119,412)</u>	<u>(31,811)</u>
	<u>1,599</u>	<u>439,919</u>	<u>718,896</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 EXPENSES OVER REVENUES	<u>\$ 1,599</u>	<u>\$ 439,919</u>	<u>\$ 718,896</u>

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

BINGHAM MEMORIAL HOSPITAL
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	Invested in Capital Assets (note 11)		Unrestricted	Total 2020	Total 2019			
BALANCE, BEGINNING OF YEAR	\$	2,380,984	\$	2,326,615	\$	4,707,599	\$	4,138,803
EXCESS OF REVENUES OVER EXPENSES		-		439,919		439,919		718,896
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 11)		109,160		(109,160)		-		-
DECREASE IN ACCUMULATED REMEASUREMENT GAINS		-		-		-		(150,100)
BALANCE, END OF YEAR	\$	2,490,144	\$	2,657,374	\$	5,147,518	\$	4,707,599

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

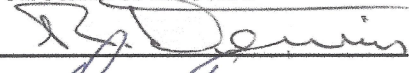
BINGHAM MEMORIAL HOSPITAL**STATEMENT OF FINANCIAL POSITION****MARCH 31, 2020**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 602	\$ 602
Accounts receivable (note 4)	256,681	394,473
Inventories	130,640	145,855
Short-term investments (note 5)	156,881	156,881
Due from MICs Group of Health Services (note 6)	3,775,395	3,038,705
	4,320,199	3,736,516
CAPITAL ASSETS (note 7)	6,628,061	6,048,884
	\$ 10,948,260	\$ 9,785,400
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 8)	\$ 735,790	\$ 583,505
Deferred revenue	130,057	130,057
	865,847	713,562
POST-EMPLOYMENT BENEFITS (note 9)	694,560	665,876
DEFERRED CAPITAL CONTRIBUTIONS (note 10)	4,240,335	3,698,363
	5,800,742	5,077,801
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 11)	2,490,144	2,380,984
UNRESTRICTED	2,657,374	2,326,615
	5,147,518	4,707,599
	\$ 10,948,260	\$ 9,785,400

CONTINGENCIES AND COMMITMENTS - note 14

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, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of expenses over revenues	\$ 439,919	\$ 718,896
Items not involving cash:		
Amortization of capital assets - buildings	424,500	342,888
Amortization of capital assets - equipment and software	139,612	123,114
Amortization of deferred capital contributions - buildings	(305,088)	(311,077)
Amortization of deferred capital contributions - equipment and software	(42,289)	(21,600)
Accrual for post-employment benefits	28,684	36,961
Gain on disposition of capital assets	-	(68,778)
Transfer of deferred capital contributions to accounts payable	-	(28,899)
Loss on disposition of capital assets	-	1,125
Realized gains on disposition of investments	-	(154,168)
	685,338	638,462
Changes in:		
Accounts receivable	137,792	(145,912)
Inventories	15,215	7,813
Accounts payable and accrued liabilities	152,285	187,610
Deferred revenue	-	(38)
	990,630	687,935
INVESTING ACTIVITIES		
Purchase of investments	-	(262,793)
Proceeds on disposition of investments	-	1,289,971
Net advances to MICs Group of Health Services	(736,690)	(695,072)
	(736,690)	332,106
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,143,286)	(1,862,203)
Proceeds of disposition of capital assets	-	103,932
Capital contributions received	889,346	660,707
	(253,940)	(1,097,564)
CHANGE IN CASH POSITION	-	(77,523)
CASH POSITION, BEGINNING OF YEAR	602	78,125
CASH POSITION, END OF YEAR	\$ 602	\$ 602

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

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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, 2020

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 and software	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, 2020

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, 2020

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, 2020

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:

	2020		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 602	\$ -	\$ 602
Accounts receivable	\$ -	\$ 256,681	\$ 256,681
Short-term investments	\$ 156,881	\$ -	\$ 156,881
Due from MICs Group of Health Services	\$ -	\$ 3,775,395	\$ 3,775,395
Accounts payable and accrued liabilities	\$ -	\$ 735,790	\$ 735,790

	2019		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 602	\$ -	\$ 602
Accounts receivable	\$ -	\$ 394,473	\$ 394,473
Short-term investments	\$ 156,881	\$ -	\$ 156,881
Due from MICs Group of Health Services	\$ -	\$ 3,038,705	\$ 3,038,705
Accounts payable and accrued liabilities	\$ -	\$ 583,505	\$ 583,505

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, 2020.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

4. ACCOUNTS RECEIVABLE

	2020	2019
Insurers and patients	\$ 51,431	\$ 61,846
HST rebates receivable	161,727	323,135
Other receivables	43,523	9,492
	<u>\$ 256,681</u>	<u>\$ 394,473</u>

5. SHORT-TERM INVESTMENTS

	2020 Cost	2020 Fair Market Value	2019 Cost	2019 Fair Market Value
Guaranteed Investment Certificate, earning interest at a rate of 1.60%, maturing in April 2021, carried at fair market value	\$ 156,881	\$ 156,881	\$ 156,881	\$ 156,881

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 \$5,103,137 (2019 - \$5,043,831) 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:

	2020	2019
Due from MICS Group of Health Services	<u>\$ 3,775,395</u>	<u>\$ 3,038,705</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

6. DUE FROM MICS GROUP OF HEALTH SERVICES, (CONT'D)

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.

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net	2019 Net
Land	\$ 159,212	\$ -	\$ 159,212	\$ 159,212
Land improvements	172,227	92,814	79,413	96,739
Buildings	11,708,457	6,105,122	5,603,335	4,905,678
Equipment and software	2,409,732	1,623,631	786,101	887,255
	<u>\$ 14,449,628</u>	<u>\$ 7,821,567</u>	<u>\$ 6,628,061</u>	<u>\$ 6,048,884</u>

As at March 31, 2020, there were \$973,271 (2019 - \$479,479) of capital projects in progress. These assets were not amortized.

During the year, the Hospital wrote-off \$911,491 (2019 - \$419,907) of equipment that was no longer in use, disposed of or fully amortized.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trades payable and accrued liabilities	\$ 695,994	\$ 542,048
Ministry of Health and Long Term Care	39,796	41,457
	<u>\$ 735,790</u>	<u>\$ 583,505</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

9. 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. 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	2020 Total	2019 Total
Accrued benefit obligation	\$ 544,176	\$ 87,402	\$ 631,578	\$ 646,894
Unamortized actuarial loss (gain)	68,142	(5,160)	62,982	18,982
Accrued benefit liability	<u>\$ 612,318</u>	<u>\$ 82,242</u>	<u>\$ 694,560</u>	<u>\$ 665,876</u>

BENEFIT EXPENSE

	Hospital	Share of MICS	2020 Total	2019 Total
Accrued benefit obligation, beginning of year	\$ 556,958	\$ 89,936	\$ 646,894	\$ 616,002
Unamortized actuarial loss (gain)	30,049	(11,067)	18,982	12,913
Accrued benefit liability, beginning of year	<u>587,007</u>	<u>78,869</u>	<u>665,876</u>	<u>628,915</u>
Current service cost	26,252	4,862	31,114	30,828
Interest on obligation	17,909	2,876	20,785	21,020
Amortization of actuarial loss (gain)	<u>(3,376)</u>	<u>1,230</u>	<u>(2,146)</u>	<u>(1,401)</u>
Benefit expense	<u>40,785</u>	<u>8,968</u>	<u>49,753</u>	<u>50,447</u>
Benefit payment	<u>(15,474)</u>	<u>(5,595)</u>	<u>(21,069)</u>	<u>(13,486)</u>
Accrued benefit liability, end of year	<u>\$ 612,318</u>	<u>\$ 82,242</u>	<u>\$ 694,560</u>	<u>\$ 665,876</u>

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020**

9. 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 12.

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 3.29% (2019 - 3.18%) 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 (2019 - 8%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2019 - 4.5%).

Dental costs

Dental costs is assumed to increase at 4% per annum (2019 - 4%).

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020****10. 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:

	2020	2019
CAPITAL CONTRIBUTIONS		
Balance, beginning of year	\$ 11,504,047	\$ 10,872,239
Funding received during the year	889,346	660,707
Write off of capital contributions	(376,856)	-
Transfer of deferred capital contributions to accounts payable	-	(28,899)
	<u>12,016,537</u>	<u>11,504,047</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(7,805,684)	(7,473,007)
Amortization - buildings	(305,088)	(311,077)
Amortization - equipment and software	(42,289)	(21,600)
Write off of accumulated amortization	376,859	-
	<u>(7,776,202)</u>	<u>(7,805,684)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u><u>\$ 4,240,335</u></u>	<u><u>\$ 3,698,363</u></u>

During the year, the Hospital wrote-off \$376,856 of deferred capital contributions related to capital assets that was no longer in use, disposed of or fully amortized.

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:

	2020	2019
Donations	\$ 38,186	\$ 30,463
Health Infrastructure Renewal Fund	64,232	-
	<u><u>\$ 102,418</u></u>	<u><u>\$ 30,463</u></u>

Due to the COVID-19 pandemic declared by the World Health Organization on March 11, 2020 (see further details in note 17), the construction projects funded by the Health Infrastructure Renewal Fund has been halted and as such, the funding was not fully spent on March 31, 2020.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020****11. INVESTED IN CAPITAL ASSETS**

Invested in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 6,628,061	\$ 6,048,884
Deferred capital contributions	(4,240,335)	(3,698,363)
Unspent deferred capital contributions (note 10)	102,418	30,463
	<u>\$ 2,490,144</u>	<u>\$ 2,380,984</u>

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

	2020	2019
CAPITAL ASSETS ACTIVITIES		
Purchase of capital assets	\$ 1,143,286	\$ 1,862,203
Amortization of capital assets - buildings	(424,500)	(342,888)
Amortization of capital assets - equipment and software	(139,612)	(123,114)
Proceeds of disposition of capital assets	-	(103,932)
Gain on disposition of capital assets	-	68,778
Loss on disposition of capital assets	-	(1,125)
	<u>579,174</u>	<u>1,359,922</u>
DEFERRED CAPITAL CONTRIBUTIONS ACTIVITIES		
Capital contributions received during the year	(889,346)	(660,707)
Transfer of deferred capital contributions to accounts payable	-	28,899
Transfer to (from) unspent deferred capital contributions	71,955	(1,942)
Amortization of deferred capital contributions - buildings	305,088	311,077
Amortization of deferred capital contributions - equipment and software	42,289	21,600
	<u>(470,014)</u>	<u>(301,073)</u>
	<u>\$ 109,160</u>	<u>\$ 1,058,849</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

12. 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 \$284,387 (2019 - \$290,578) 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, 2019 indicated that the Plan is fully funded on a solvency basis.

13. 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.

14. 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, 2020, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. No provision has been made in these financial statements to reflect any of these claims. Any settlements which may arise will be reflected in the financial statements in the year the amount is determined.

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, 2020, the Hospital has a further commitment of \$298,284 in relation to current capital projects in progress.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

15. ECONOMIC DEPENDENCE

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

16. 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, 2020 are as follows:

		Total	Current	31-60 days	61-90 days	90+ days
Insurers and patients	\$	51,431	\$ 40,408	\$ 5,708	\$ 2,678	2,637
HST rebates receivable		161,727	161,727	-	-	-
Other receivables		43,523	43,523	-	-	-
	\$	256,681	\$ 245,658	\$ 5,708	\$ 2,678	2,637

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

16. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)

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.

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**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020**

17. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Hospital's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) has had an impact on the Hospital's operations. The volume of patients has decreased significantly and this causes a decrease in revenue and delay in generating cash flow from the Hospital's operation.

Management is currently assessing the impact this will have on the operations of the Hospital. Management expects the Hospital will have adequate cash flow to fund its operations following the crisis through tight controls over the operating expenses and additional government allocations. However, the overall extent of the impact cannot be reliably estimated at this time. Additionally, management can not estimate the length and gravity of this outbreak. The Hospital is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.

BINGHAM MEMORIAL HOSPITAL**SCHEDULES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2020****SCHEDULE OF MINISTRY OF HEALTH AND LONG-TERM CARE****Schedule 1**

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
North East LHIN - Base allocation	\$ 6,315,727	\$ 6,554,430	\$ 6,315,727
Ministry of Health - Physician specific	868,476	863,499	822,414
Ministry of Health - One-time funding	105,000	154,889	119,091
	\$ 7,289,203	\$ 7,572,818	\$ 7,257,232

SCHEDULE OF SALARIES AND WAGES**Schedule 2**

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
Nursing services	\$ 2,132,605	\$ 1,743,678	\$ 2,117,796
Diagnostic and therapeutic	628,394	895,409	490,491
Education	20,893	13,104	16,244
Administration and other	1,126,322	1,139,298	1,132,660
	\$ 3,908,214	\$ 3,791,489	\$ 3,757,191

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

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
Nursing services	\$ 108,200	\$ 128,061	\$ 120,378
Diagnostic and therapeutic	463,450	486,506	375,211
Education	42,060	29,336	20,548
Administration and other	1,054,140	1,085,709	952,982
	\$ 1,667,850	\$ 1,729,612	\$ 1,469,119