THE MICS GROUP OF HEALTH SERVICES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The MICs Group of Health Services

Opinion

We have audited the financial statements of The MICs Group of Health Services, 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.

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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

THE MICS GROUP OF HEALTH SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2020

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	2020	2019
REVENUES		
Recoveries of shared costs and direct charges (note 4)	$ 27,286,135	$ 26,360,425
Interest income	56,507	41,634
Dividends and investment income	81,185	50,569
Gain on disposition of investments	3,900	-
Other recoveries	321,575	311,454
Management and administration	135,000	135,000
Diabetes program revenues	336,086	340,427
Lifeline program revenues	4,715	5,015
Under serviced area program revenues	192,459	187,375
	28,417,562	27,431,899
SALARIES AND BENEFITS		
Management and financial administration	1,662,812	1,650,414
Education	83,367	88,778
Human resources	423,310	401,619
Support services	4,254,102	3,852,788
Clinical nutrition	166,846	144,834
Nursing services	9,163,132	9,107,008
Paramedical	2,576,317	2,662,660
Physiotherapy services	376,004	325,069
Physician clinics	250,634	298,023
Nursing homes	7,265,329	6,842,342
Unallocated employee future benefits	12,973	16,354
	26,234,826	25,389,889
SUPPLIES, SERVICES AND OTHER EXPENSES		
Office, recruiting, travel and other	470,123	407,188
Information technology	739,747	608,213
Professional and other fees	182,471	162,888
Amortization of capital assets	108,698	171,733
Loss on disposition of investments	-	97,596
Loss on disposition of capital assets	90,898	-
Education	57,539	61,573
Diabetes program	336,086	340,427
Lifeline program	-	378
Underserviced Area program	189,509	188,530
	2,175,071	2,038,526
EXCESS OF REVENUES OVER EXPENSES	$ 7,665	$ 3,484

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	Bingham Memorial Hospital	Anson General Hospital	Lady Minto Hospital	Total 2020	Total 2019
BALANCE, BEGINNING OF YEAR	$ 4,622	$ 6,577	$ 6,577	$ 17,776	$ 14,292
EXCESS OF REVENUES OVER EXPENSES	1,993	2,836	2,836	7,664	3,484
BALANCE, END OF YEAR	$ 6,615	$ 9,413	$ 9,413	$ 25,441	$ 17,776

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,515,150	$ 3,512,577
Accounts receivable	122,047	2,872
Prepaid expenses	27,877	199,780
Due from participating hospitals (note 4)	1,074,661	942,695
	5,739,735	4,657,924
INVESTMENTS (note 5)	4,604,714	4,851,250
POST-EMPLOYMENT BENEFITS RECOVERABLE (note 6)	316,316	303,343
CAPITAL ASSETS (note 7)	754,693	426,340
	$ 11,415,458	$ 10,238,857
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 8)	$ 4,559,508	$ 3,590,951
Deferred revenue	105,028	105,028
Due to participating hospitals (note 4)	6,502,947	6,091,641
	11,167,483	9,787,620
POST-EMPLOYMENT BENEFITS PAYABLE (note 9)	316,316	303,343
DEFERRED CAPITAL CONTRIBUTIONS	97,363	-
	11,581,162	10,090,963
NET ASSETS		
NET ASSETS	25,441	17,776
ACCUMULATED REMEASUREMENT GAINS (LOSSES) ON INVESTMENTS (note 5)	(191,145)	130,118
	(165,704)	147,894
	$ 11,415,458	$ 10,238,857

CONTINGENCIES - note 12
COMMITMENTS - note 13

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

On behalf of the board

Patricia Orff Director

Director

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 7,665	$ 3,484
Items not involving cash:		
Amortization of capital assets	108,698	171,733
Loss (gain) on disposition of investments	(3,900)	97,596
Loss on disposition of capital assets	90,898	-
	203,361	272,813
Changes in:		
Accounts receivable	(119,175)	(1,873)
Prepaid expenses	171,903	(193,036)
Accounts payable and accrued liabilities	968,557	(281,415)
	1,224,646	(203,511)
INVESTING ACTIVITIES		
Net investment transfers, purchases and dispositions within portfolio	(70,827)	(4,818,728)
Net advances from participating hospitals	279,340	6,026,862
	208,513	1,208,134
CAPITAL ACTIVITIES		
Purchase of capital assets	(527,949)	(141,060)
Capital contributions received	97,363	-
	(430,586)	(141,060)
CHANGE IN CASH POSITION	1,002,573	863,563
CASH POSITION, BEGINNING OF YEAR	3,512,577	2,649,014
CASH POSITION, END OF YEAR	$ 4,515,150	$ 3,512,577

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

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

1. STATUS AND NATURE OF OPERATIONS

The MICs Group of Health Services (MICs) partnership was established to increase opportunities for collaboration between its member hospitals in the sharing of costs and provision of health services. The present participating hospital are Bingham Memorial Hospital in Matheson Ontario, Anson General Hospital in Iroquois Falls Ontario and Lady Minto Hospital in Cochrane Ontario. Separate audited financial statements are prepared by each hospital and are not consolidated with the partnership. The partnership 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

These financial statements reflect only the assets, liabilities, revenues and expenses of the partnership, and do not include the assets, liabilities, revenues or expenses of the participating hospitals.

Other than direct charges for specific salaries and benefits at actual cost, the share of revenues and expenses to participating hospitals is determined by a percentage agreed to by the Board on a net-cost recovery basis. The agreed percentage is as follows:

	2020	2019
Bingham Memorial Hospital	26 %	26 %
Anson General Hospital	37 %	37 %
Lady Minto Hospital	37 %	37 %

In addition, the share of dividends and investment income and gains or losses resulting from dispositions within the investment portfolio are also determined by a percentage agreed to by the Board and is based on the original proportion of the hospitals investments transferred to the partnership. The agreed percentage is as follows:

	2020	2019
Bingham Memorial Hospital	18 %	18 %
Anson General Hospital	12 %	12 %
Lady Minto Hospital	70 %	70 %

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

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.

Contributions from participating hospitals are recognized as revenue when the related expenses are incurred.

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 and donations 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.

Investment income is recognized as revenue when earned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits with a maturity of less than three months and temporary bank overdrafts which forms an integral part of the partnerships's cash management.

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 partnership'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:

Equipment	3-20 years
Software	3 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 partnership allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute significant hours of their time each year to assist the parnership 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.

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The partnership provides defined retirement and post-employment benefits for certain employee groups. These benefits include pension, extended health care, dental and life insurance. The partnership 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 partnership 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 partnership 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.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS

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

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The partnership has designated its cash and cash equivalents and investments at fair value.

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. 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 participating hospitals, accounts payable and accrued liabilities and due to participating hospitals. 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 receivable, the useful life of capital assets, the actuarial estimation of post-employment benefits, accrued liabilities and contingencies. Actual results could differ from those estimates.

THE MICS GROUP OF HEALTH SERVICES

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	$ 4,515,150	$ -	$ 4,515,150
Accounts receivable	$ -	$ 122,047	$ 122,047
Due from participating hospitals	$ -	$ 1,074,661	$ 1,074,661
Investments	$ 4,604,714	$ -	$ 4,604,714
Accounts payable and accrued liabilities	$ -	$ 4,559,509	$ 4,559,509
Due to participating hospitals	$ -	$ 6,502,947	$ 6,502,947

	2019		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 3,512,577	$ -	$ 3,512,577
Accounts receivable	$ -	$ 2,872	$ 2,872
Due from participating hospitals	$ -	$ 942,695	$ 942,695
Investments	$ 4,851,250	$ -	$ 4,851,250
Accounts payable and accrued liabilities	$ -	$ 3,590,951	$ 3,590,951
Due to participating hospitals	$ -	$ 6,091,641	$ 6,091,641

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 and investments are considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2020.

4. DUE FROM/TO PARTICIPATING HOSPITALS

In addition to sharing of particular revenues and expenses through the partnership, accounts payable and accrued liabilities include amounts to be paid by MICs on behalf of the participating hospitals. Considering the number of transactions involved, it is not considered practical to identify the amounts by hospital.

The amounts due from/to participating hospitals represent the excess of amounts advanced to MICs by or on behalf of the hospitals over the hospitals' share of MIC's expenses and amounts payable by MICs on behalf of the hospital. The amounts are 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.

The amounts due from the participating hospital is as follows:

	2020	2019
Anson General Hospital	$ 1,074,661	$ 942,695

The amounts due to the participating hospitals are as follows:

	2020	2019
Bingham Memorial Hopsital	$ 3,775,395	$ 3,038,705
Lady Minto Hospital	2,727,552	3,052,936
	$ 6,502,947	$ 6,091,641

The total recoveries of shared net-costs and direct charges from the participating hospitals are as follows:

	2020	2019
Bingham Memorial Hopsital	$ 5,085,960	$ 5,079,985
Anson General Hospital	11,301,703	11,086,651
Lady Minto Hospital	10,898,472	10,193,789
	$ 27,286,135	$ 26,360,425

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

5. INVESTMENTS

	2020 Cost	2020 Fair Market Value	2019 Cost	2019 Fair Market Value
Cash and cash equivalents	$ 206,245	$ 205,962	$ 222,286	$ 222,036
Canadian Equities	1,203,844	1,069,257	1,120,664	1,173,262
US Equities	1,061,345	1,065,617	1,094,512	1,143,058
International equities	669,027	568,652	666,508	675,234
Canadian fixed income	949,912	960,080	911,676	922,364
US fixed income	347,423	372,944	347,423	353,496
International fixed income	358,063	362,202	358,063	361,800
	$ 4,795,859	$ 4,604,714	$ 4,721,132	$ 4,851,250
Accumulated remeasurement gains (losses)		$ (191,145)		$ 130,118

6. POST-EMPLOYMENT BENEFITS RECOVERABLE

The post-employment benefits recoverable and the corresponding post-employment benefits payable reflected on the MICs statement of financial position relates only to those MICs employees whose costs are shared according to the predetermined cost sharing formula. Details of the post-employment benefits payable is presented in note 9. The amounts recoverable from the participating hospitals in relation to post-employment benefits payable is as follows:

	%	2020	2019
Bingham Memorial Hospital	26	$ 82,242	$ 78,869
Anson General Hospital	37	117,037	112,237
Lady Minto Hospital	37	117,037	112,237
	100	$ 316,316	$ 303,343

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net	2019 Net
Equipment	$ 1,463,994	$ 724,947	$ 739,047	$ 412,295
Software	1,718,646	1,703,000	15,646	14,045
	$ 3,182,640	$ 2,427,947	$ 754,693	$ 426,340

During the year, the Hospital wrote-off $1,139,494 (2019 - $10,117) in 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	$ 2,055,813	$ 967,696
Salaries and benefits payable	2,140,953	1,974,855
Government remittances payable	362,742	648,400
	$ 4,559,508	$ 3,590,951

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

9. POST-EMPLOYMENT BENEFITS PAYABLE

The MICs Group of Health Services and participating hospitals provides post employment extended health coverage, dental benefits and life insurance to certain employee groups subsequent to their retirement. The partnership recognizes these benefits as they are earned during the employees' tenure of service. Expenses are allocated to the respective participating hospitals according to where services are provided by the employee. The related liability was determined by an actuarial valuation.

The following table outlines the components of the partnership's post-employment benefits payable and the related expenses. The liability and corresponding amount recoverable reflected on the MICs statement of financial position relates only to those MICs employees whose costs are shared according to the predetermined cost sharing formula.

The MICs shared accrued benefit liability is determined as follows:

	2020	2019
Accrued benefit obligation	$ 336,164	$ 345,907
Unamortized actuarial gain	(19,848)	(42,564)
Accrued benefit liability	$ 316,316	$ 303,343

The MICs shared accrued benefit expense is determined as follows:

	2020	2019
Accrued benefit obligation, beginning of year	$ 345,907	$ 322,914
Unamortized actuarial loss (gain)	(42,564)	(35,925)
Accrued benefit liability, beginning of year	303,343	286,989
Current service cost	18,700	18,715
Interest on obligation	11,063	11,046
Amortization of actuarial loss	4,732	3,815
Benefit expense	34,495	33,576
Benefit payment	(21,522)	(17,222)
Accrued benefit liability, end of year	$ 316,316	$ 303,343

THE MICS GROUP OF HEALTH SERVICES

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 11.

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%).

The post-employment benefits payable related to those MICs employees whose costs are charged directly to participating hospitals are reflected on the statement of financial position of the respective hospitals as follows:

	2020	2019
Bingham Memorial Hospital	$ 612,318	$ 587,007
Anson General Hospital	1,292,967	1,232,931
Lady Minto Hospital	1,382,360	1,339,541
	$ 3,287,645	$ 3,159,479

10. LINE OF CREDIT

The partnership has an authorized line of credit of $500,000 bearing interest at prime, secured by a general security agreement.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

11. RETIREMENT BENEFITS

Substantially all of the partnership'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 partnership on behalf of its employees amounted to $1,636,903 (2019 - $1,575,010) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the partnership's pension benefit expenses. Any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the partnership 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.

Contributions by participating hospitals are as follows:

	2020	2019
Bingham Memorial Hospital	$ 284,387	$ 290,578
Anson General Hospital	697,748	659,626
Lady Minto Hospital	654,768	624,806
	$ 1,636,903	$ 1,575,010

12. CONTINGENCIES

a) The nature of the partnership'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 partnership 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 partnership 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 partnership on completion of the plan is currently not determinable.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

13. COMMITMENTS

As participants in the regional NEON information systems network, the partnership is required to pay monthly fees for on-going systems support on behalf of the MICs partners. During the year, the partnership paid $256,886 in total for such fees (2019 - $249,405). Fees are determined on a cost-recovery basis and are subject to annual review and possible adjustment to reflect inflationary and other operational increases or decreases. Fee rates are also subject to negotiated changes which may arise to reflect changes to the shared costs of the information system.

During the year, the partnership also paid $125,141 for ongoing information system support services (2019 - $125,141). Additionally, they paid $51,695 for advanced cyber security as part of a yearly contract ending in September 2020, leaving an additional commitment of $51,695.

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The financial instruments of the partnership and the nature of the risks to which it may be subject are as follows:

CREDIT RISK

The partnership 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 partnership believes there is a minimal risk associated with these amounts since the majority of its receivables are from government agencies and the participating hospitals. The partnership holds its cash account with federally regulated chartered banks who are insured by the Deposit Insurance Corporation of Ontario.

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 partnership's potential inability to meet its obligations associated with the financial liabilities as they become due. The partnership mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. The partnership 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.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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

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: interest rate risk, currency risk and equity risk. The interest rate risk and currency risk is related to the adverse fluctuation of the interest rates and foreign exchange rates on investment revenue, on fair value of investments and on economic value of net assets. Equity risk is the risk of fluctuation in market prices of equity instruments. The partnership does not use derivative instruments to reduce its exposure to interest rate and currency risk. Conservative management is exercised to minimize the impact of any eventual fluctuations while maximizing returns.

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.

15. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the partnership’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 partnership’s operations. The volume of patients in the participating hospitals has decreased significantly and this causes a decrease in revenue and delay in generating cash flow from the participating hospital's operation.

Management is currently assessing the impact this will have on the operations of the participating hospitals and the partnership. Management expects the participating hopitals 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. Management is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.