

THE MICS GROUP OF HEALTH SERVICES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2023

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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, 2023, 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, 2023, and its results of 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, (CONT'D)

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 13, 2023

THE MICS GROUP OF HEALTH SERVICES
FINANCIAL STATEMENTS

MARCH 31, 2023

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THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	2023	2022
REVENUES		
Recoveries of shared costs and direct charges (note 4)	\$ 29,498,661	\$ 30,082,112
Interest income	128,449	22,486
Dividends and other investment income	154,070	103,560
Gain on disposition of investments	208,795	330,166
Management and administration	177,221	135,000
Diabetes program revenues	341,580	303,836
Under serviced area program revenues	57,750	60,911
Lifeline program revenues	3,410	3,515
Other recoveries	349,475	354,582
Amortization of deferred capital contributions	32,454	32,454
	<u>30,951,865</u>	<u>31,428,622</u>
SALARIES AND BENEFITS		
Management and financial administration	1,688,632	2,216,282
Human resources	537,529	581,536
Education	43,117	97,848
Support services	4,989,061	4,598,775
Clinical nutrition	175,445	195,596
Nursing services	9,346,449	9,734,405
Paramedical	3,210,989	3,088,688
Physiotherapy services	453,624	446,368
Physician clinics	267,605	243,043
Nursing homes	8,246,323	8,391,595
Unallocated employee future benefits	13,152	15,811
	<u>28,971,926</u>	<u>29,609,947</u>
SUPPLIES, SERVICES AND OTHER EXPENSES		
Office, recruiting, travel and other	610,585	431,366
Information technology	663,752	662,529
Professional and other fees	133,897	146,327
Education	66,285	102,650
Diabetes program	341,580	303,836
Underserved Area program	57,749	60,911
Amortization of capital assets	90,504	107,541
Loss on disposition of capital assets	12,177	-
	<u>1,976,529</u>	<u>1,815,160</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 3,410</u>	<u>\$ 3,515</u>

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, 2023

	Bingham Memorial Hospital	Anson General Hospital	Lady Minto Hospital	Total 2023	Total 2022
BALANCE, BEGINNING OF YEAR	\$ 8,625	\$ 12,270	\$ 12,270	\$ 33,165	29,650
EXCESS OF REVENUES OVER EXPENSES	886	1,262	1,262	3,410	3,515
BALANCE, END OF YEAR	\$ 9,511	\$ 13,532	\$ 13,532	\$ 36,575	33,165

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

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,386,117	\$ 8,017,144
Accounts receivable	30,614	16,941
Prepaid expenses	80,885	56,144
	<u>4,497,616</u>	<u>8,090,229</u>
INVESTMENTS (note 5)	4,352,983	6,010,113
POST-EMPLOYMENT BENEFITS RECOVERABLE (note 6)	365,276	352,124
CAPITAL ASSETS (note 7)	<u>3,168,107</u>	<u>1,908,931</u>
	<u>\$ 12,383,982</u>	<u>\$ 16,361,397</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 8)	\$ 4,987,101	\$ 6,000,778
Due to participating hospitals (note 4)	7,121,741	9,449,591
	<u>12,108,842</u>	<u>15,450,369</u>
POST-EMPLOYMENT BENEFITS PAYABLE (note 9)	365,276	352,124
DEFERRED CAPITAL CONTRIBUTIONS	<u>201</u>	<u>32,655</u>
	<u>12,474,319</u>	<u>15,835,148</u>
NET ASSETS		
UNRESTRICTED	36,575	33,165
ACCUMULATED REMEASUREMENT GAINS		
(LOSSES) ON INVESTMENTS (note 5)	<u>(126,912)</u>	<u>493,084</u>
	<u>(90,337)</u>	<u>526,249</u>
	<u>\$ 12,383,982</u>	<u>\$ 16,361,397</u>

CONTINGENCIES - note 12

COMMITMENTS - note 7 and 13

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

On behalf of the board

<u>Oswald Silversen</u>	BMH Chair
<u>Donielle</u>	AGH Chair
<u>Patricia Dorff</u>	LMH Chair

THE MICS GROUP OF HEALTH SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 3,410	\$ 3,515
Items not involving cash:		
Amortization of capital assets	90,504	107,541
Amortization of deferred capital contributions	(32,454)	(32,454)
Gain on disposition of investments	(208,795)	(330,166)
Change in accumulated remeasurement gains on investments	(411,201)	309,052
Loss on disposition of capital assets	12,177	-
	(546,359)	57,488
Changes in:		
Accounts receivable	(13,673)	(11,287)
Prepaid expenses	(24,741)	(39,803)
Accounts payable and accrued liabilities	(1,013,677)	934,298
	(1,598,450)	940,696
INVESTING ACTIVITY		
Net investment transfers, purchases and dispositions within portfolio	1,657,130	(423,973)
FINANCING ACTIVITY		
Net advances from (to) participating hospitals	(2,327,850)	4,197,024
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,361,857)	(1,512,918)
Capital contributions received	-	200
	(1,361,857)	(1,512,718)
CHANGE IN CASH POSITION	(3,631,027)	3,201,029
CASH POSITION, BEGINNING OF YEAR	8,017,144	4,816,115
CASH POSITION, END OF YEAR	\$ 4,386,117	\$ 8,017,144

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

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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 hospitals 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

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

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:

	2023	2022
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:

	2023	2022
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, 2023

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 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, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CONTRIBUTED SERVICES AND MATERIALS

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

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.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

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, 2023

3. FINANCIAL INSTRUMENT CLASSIFICATION

The table below provides the 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:

	2023		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 4,386,117	\$ -	\$ 4,386,117
Accounts receivable	\$ -	\$ 30,614	\$ 30,614
Investments	\$ 4,352,983	\$ -	\$ 4,352,983
Accounts payable and accrued liabilities	\$ -	\$ 4,987,101	\$ 4,987,101
Due to participating hospitals	\$ -	\$ 7,121,741	\$ 7,121,741

	2022		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 8,017,144	\$ -	\$ 8,017,144
Accounts receivable	\$ -	\$ 16,941	\$ 16,941
Investments	\$ 6,010,113	\$ -	\$ 6,010,113
Accounts payable and accrued liabilities	\$ -	\$ 6,000,778	\$ 6,000,778
Due to participating hospitals	\$ -	\$ 9,449,591	\$ 9,449,591

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 unadjusted quoted prices 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.

Cash and cash equivalents and investments are considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2023.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

4. DUE 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:

	2023	2022
Bingham Memorial Hospital	\$ 2,304,776	\$ 3,863,483
Anson General Hospital	2,788,156	2,039,209
Lady Minto Hospital	2,028,809	3,546,899
	<u>\$ 7,121,741</u>	<u>\$ 9,449,591</u>

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

	2023	2022
Bingham Memorial Hospital	\$ 5,410,925	\$ 5,834,308
Anson General Hospital	12,166,156	12,390,783
Lady Minto Hospital	11,921,580	11,857,021
	<u>\$ 29,498,661</u>	<u>\$ 30,082,112</u>

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

5. INVESTMENTS

		2023		2022	
		2023	Fair Market	2022	Fair Market
		Cost	Value	Cost	Value
Cash and cash equivalents	\$	9,609	\$ 9,609	\$ 136,566	\$ 136,566
Equity investments		4,434,491	4,307,579	5,380,463	5,873,547
Mutual funds		35,795	35,795	-	-
	\$	4,479,895	\$ 4,352,983	\$ 5,517,029	\$ 6,010,113

		2023	2022
Accumulated remeasurement gains, beginning of year	\$	493,084	\$ 514,198
Realized gains on disposition of investments		(208,795)	(330,166)
Change in unrealized gains (losses) on investments		(411,201)	309,052
Accumulated remeasurement gains (losses), end of year	\$	(126,912)	\$ 493,084

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:

	%	2023	2022
Bingham Memorial Hospital	26	\$ 94,972	\$ 91,552
Anson General Hospital	37	135,152	130,286
Lady Minto Hospital	37	135,152	130,286
	100	\$ 365,276	\$ 352,124

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2023 Net	2022 Net
Equipment	\$ 1,483,103	\$ 763,422	\$ 719,681	\$ 584,219
Software	1,718,646	1,718,646	-	3,887
Capital projects in progress	2,448,426	-	2,448,426	1,320,825
	\$ 5,650,175	\$ 2,482,068	\$ 3,168,107	\$ 1,908,931

The Hospital signed a memorandum of understanding regarding a capital project to upgrade IT equipment, systems and software, namely the Meditech Expanse EMR (ONE Initiative). The cost will be shared amongst other hospitals in the region. The cost is expected to be financed by a loan from TD Bank. The estimated cost and remaining cost for each participating Hospitals is noted below:

	Estimated cost	Cost incurred to March 31, 2023	Remaining cost
Bingham Memorial Hospital	\$ 2,090,000	\$ 654,710	\$ 1,435,290
Anson General Hospital	2,090,000	880,836	1,209,164
Lady Minto Hospital	2,090,000	912,880	1,177,120
	\$ 6,270,000	\$ 2,448,426	\$ 3,821,574

During the year, the Hospital wrote-off \$263,920 (2022 - \$nil) of equipment that was no longer in use, disposed of or fully amortized resulting in a loss on disposition of equipment of \$12,177 (2022 - \$nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Accounts payable and accrued liabilities	\$ 2,499,789	\$ 3,117,798
Payroll remittances payable	115,888	439,912
Salaries and benefits payable	2,371,424	2,443,068
	\$ 4,987,101	\$ 6,000,778

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

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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:

	2023	2022
Accrued benefit obligation	\$ 315,899	\$ 309,978
Unamortized actuarial loss	49,377	42,146
Accrued benefit liability	<u>\$ 365,276</u>	<u>\$ 352,124</u>

The MICs shared accrued benefit expense is determined as follows:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 309,978	\$ 326,488
Unamortized actuarial loss (gain)	42,146	9,825
Accrued benefit liability, beginning of year	<u>352,124</u>	<u>336,313</u>
Current service cost	14,912	16,154
Interest on obligation	12,027	10,465
Amortization of actuarial loss (gain)	<u>(4,630)</u>	<u>(1,081)</u>
Benefit expense	<u>22,309</u>	<u>25,538</u>
Benefit payment	<u>(9,157)</u>	<u>(9,727)</u>
Accrued benefit liability, end of year	<u>\$ 365,276</u>	<u>\$ 352,124</u>

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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 4.04% (2022 - 3.89%) 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 (2022 - 8%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2022 - 4.5%).

Dental costs

Dental costs is assumed to increase at 4% per annum (2022 - 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:

	2023	2022
Bingham Memorial Hospital	\$ 689,592	\$ 663,482
Anson General Hospital	1,412,364	1,382,873
Lady Minto Hospital	1,453,658	1,443,405
	<u>\$ 3,555,614</u>	<u>\$ 3,489,760</u>

10. LINE OF CREDIT

The partnership has an authorized line of credit of \$1,000,000 bearing interest at prime plus 0.85%, secured by a general security agreement.

THE MICS GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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 \$1,681,730 (2022 - \$1,742,129) 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, 2022 indicated that the Plan is fully funded on a solvency basis.

Contributions by participating hospitals are as follows:

	2023	2022
Bingham Memorial Hospital	\$ 317,520	\$ 339,436
Anson General Hospital	679,571	710,745
Lady Minto Hospital	684,639	691,948
	<u>\$ 1,681,730</u>	<u>\$ 1,742,129</u>

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, 2023, 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.

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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 \$264,596 in total for such fees (2022 - \$264,596). 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 (2022 - \$125,141) for ongoing information system support services.

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.

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.

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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. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates and foreign exchange rates as well market price fluctuations of its equity instruments. The Hospital does not use derivative instruments to reduce its exposure market risk. 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.

15. NEW ACCOUNTING STANDARDS

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments and PS 3450, Financial Instruments, have been adopted on April 1, 2022. Adoption of these new standards had no change on the presentation of these financial statements.
