

NORTH OF SUPERIOR HEALTHCARE GROUP
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North of Superior Healthcare Group

Opinion

We have audited the accompanying financial statements of North of Superior Healthcare Group (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibility 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 auditors' 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 the 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 Hospital's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Canada
June 20, 2019

North of Superior Healthcare Group

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,

2019

2018

ASSETS

Current

Cash - Restricted	\$ 1,112,754	\$ 993,225
Accounts receivable [note 3]	851,618	564,904
Inventory of supplies [note 4]	195,989	182,983
Prepaid expenses	185,730	199,048
	<u>2,346,091</u>	<u>1,940,160</u>

Recoverable employee benefits	258,906	189,329
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Capital assets [note 6]

Land, buildings and equipment	40,296,268	39,279,989
Less accumulated amortization	24,952,020	23,855,993
	<u>15,344,248</u>	<u>15,423,996</u>

\$ 17,949,245 \$ 17,553,485

LIABILITIES

Current

Unrestricted cash overdraft [note 2]	\$ 1,266,281	\$ 983,590
Accounts payable and accrued liabilities [note 7]	1,809,762	1,690,761
Deferred operating contributions - Province of Ontario	487,775	449,689
Current portion of long term debt [note 9]	99,455	96,030
	<u>3,663,273</u>	<u>3,220,070</u>

Long term debt [note 9]	1,847,567	1,947,022
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Deferred contributions related to capital assets [note 10]	12,329,435	12,419,041
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Employee future benefits [note 14]	604,100	569,700
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NET ASSETS

Investment in capital assets [note 8]	1,067,791	961,903
Unrestricted	(1,562,921)	(1,564,251)
	<u>(495,130)</u>	<u>(602,348)</u>

\$ 17,949,245 \$ 17,553,485

Contingencies & Commitments [notes 13 & 15]

Approved on behalf of the Board

Director

Director

North of Superior Healthcare Group
STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31,

2019

2018

REVENUE

Ministry of Health and Long-Term Care		
Current base allocation	\$11,596,381	\$11,365,374
One time funding	545,430	563,869
HOCC funding	326,306	322,968
Cancer Care Ontario	42,967	54,261
Long Term Care Revenue [note 17]	1,747,181	1,638,673
Other programs - MOHLTC	123,497	110,964
Community Support Services Revenue [note 11]	367,787	377,446
Interest	11,773	4,975
Patient services	876,723	940,128
Other service program funding and other revenue [note12]	1,158,565	987,626
Amortization of deferred capital contribution - equipment and Information systems	272,152	300,565
	17,068,762	16,666,849

EXPENDITURES

Amortization of major equipment/software	304,955	339,344
Bad debts	20,588	30,088
Drugs	132,546	116,695
Community support services expenditures [note11]	401,276	390,353
HOCC remuneration	326,306	322,968
Long Term Care [note 17]	1,893,706	1,809,509
Medical staff remuneration	222,606	224,646
Other service program expenditures [note12]	76,321	60,237
Other supplies and expenses		
Administrative supplies and services	1,132,632	1,301,251
Maintenance supplies and services	285,559	272,962
Medical and surgical supplies	282,909	260,153
Medical service supplies/expense	513,844	500,522
Nursing and other patient care supplies	353,537	314,424
Nutrition food and supplies	177,714	184,387
Supportive services	108,664	81,845
Utilities	619,038	690,991
Wages and benefits		
Administrative	1,332,270	1,261,032
Employee benefits	2,032,296	1,945,463
Medical services	1,705,780	1,718,049
Nursing & other patient care	3,359,314	3,379,962
Support services	1,480,476	1,481,195
	16,762,337	16,686,076

EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES BEFORE UNDERNOTED	306,425	(19,227)
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTION LAND IMPROVEMENT & BUILDING	592,340	555,547
AMORTIZATION OF BUILDING AND PAVING	(791,547)	(761,710)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	\$ 107,218	\$ (225,390)

North of Superior Healthcare Group

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31,

2019

2018

	Investment in Capital Assets \$	Unrestricted \$	Total \$	Total \$
Balance at beginning of year	961,903	(1,564,251)	(602,348)	(376,958)
Excess (deficiency) of revenue over (under) expenditures	(232,010)	339,228	107,218	(225,390)
Net change in investment in capital assets [note 8]	337,898	(337,898)	-	-
	1,067,791	(1,562,921)	(495,130)	(602,348)

North of Superior Healthcare Group
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,	2019	2018
OPERATING ACTIVITIES		
Excess (deficiencies) of revenue over (under) expenditures	\$ 107,218	\$ (225,390)
Items not requiring cash from operations		
Amortization	1,096,502	1,101,054
Amortization of deferred capital contributions	(864,492)	(856,112)
Recoverable employee benefits	(69,577)	(72,953)
Employee future benefits	34,400	38,100
Change in non-cash operational balances [Note 5]	(129,315)	396,097
Cash provided by (used in) operating activities	174,736	380,796
CAPITAL ACTIVITIES		
Additions to capital assets	(1,016,754)	(707,511)
Funding for property plant and equipment		
Ministry of Health and Long Term Care and other government funding	597,417	381,497
Other funding sources	177,469	221,985
Cash provided by (used in) capital activities	(241,868)	(104,029)
FINANCING ACTIVITIES		
Repayment of long term debt	(96,030)	(92,549)
Cash provided by (used in) financing activities	(96,030)	(92,549)
Increase (decrease) in cash during year	(163,162)	184,218
Cash (Cash overdraft), beginning of year	9,635	(174,583)
Cash (Cash overdraft), end of year	\$ (153,527)	\$ 9,635
Cash, end of year is represented by:		
Cash - restricted	\$ 1,112,754	\$ 993,225
Unrestricted cash overdraft	1,266,281	983,590
	\$ (153,527)	\$ 9,635

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

Purpose of the organization

The North of Superior Healthcare Group (the Group) was created upon the amalgamation of The McCausland Hospital and the Wilson Memorial General Hospital.

The McCausland Hospital is principally involved in providing health care services to the Townships of Terrace Bay, Schreiber and surrounding region of Northwestern Ontario. The Wilson Memorial General Hospital is principally involved in providing health care services to the Town of Marathon and surrounding region of Northwestern Ontario.

The Hospital is incorporated under the *Public Hospitals Act* as a government not-for-profit organization and is a registered charity under the Income Tax Act. Accordingly, the Hospital is not subject to income taxes provided certain conditions are met.

1. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The more significant accounting policies are summarized as follows:

Financial instruments

Financial Instruments are recorded at fair market value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair market value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Group has elected to carry any such financial instruments at fair market value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator or impairment, the hospital determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of present value of the expected cash flows, the amount that could realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If the events and circumstances reverse in the future period, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

Revenue

The Group follows the deferral method of accounting for revenue received. Under this method, externally restricted contributions for operations are recognized as revenue in the year in which the related expenses are incurred. Funds externally restricted for the purchase of capital assets are recognized as revenue in an amount equal to the annual amortization of the related assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured. Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services are recognized when the goods are sold or the service is provided.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

1. Summary of significant accounting policies (continued)

Capital assets and amortization

Purchased capital assets are recorded at acquisition cost and contributed assets are valued at their fair market value at the time of contribution. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

The amortization of the capital assets is recorded annually with a corresponding reduction in investment in capital assets. All assets are amortized over their estimated useful lives using the straight-line basis at the following annual rates:

Buildings		
Ambulance, ancillary and hospital	-	2.5% - 5%
Service equipment	-	5%
Equipment		
Ancillary	-	5%
Hospital	-	5% - 33%
Information systems	-	10% - 20%
Paving	-	4%
Land improvements	-	10%

The Hospital monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Hospital would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of supplies inventory is determined on a first-in, first-out basis. Cost of pharmacy inventory is determined on a weighted average cost-basis.

Contributed materials and services

A number of volunteers contribute their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the benefit plans of the Hospital.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

1. Summary of significant accounting policies (continued)

Employee future benefits

The Group provides extended health care, dental and life insurance benefits to substantially all employees and accrues its obligations under employee benefit plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the project benefit method pro-rated on service from management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Cash

The Group has an overall credit limit facility not to exceed at any time \$2,000,000. This is secured by a general Security Agreement. The interest rate is payable monthly at the bank's prime lending rate less 0.5%.

At the 2019 fiscal year end, the unrestricted cash balance was in overdraft position because of outstanding cheques.

3. Accounts receivable

	<u>2019</u>	<u>2018</u>
Account receivables - patient services	\$ 363,944	\$ 240,259
Ministry of Health and Long-Term Care	250,000	123,400
Harmonized sales tax	203,016	161,979
Account receivables - other	55,246	68,147
Less: allowance for doubtful accounts	(20,588)	(28,881)
	<u>\$ 851,618</u>	<u>\$ 564,904</u>

4. Inventory

	<u>2019</u>	<u>2018</u>
Pharmacy inventory	\$ 67,217	\$ 67,738
Supplies inventory	128,772	115,245
	<u>\$ 195,989</u>	<u>\$ 182,983</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

5. Change in non-cash operational balances

	2019	2018
Accounts Receivable	\$ (286,714)	\$ (89,805)
Inventory	(13,006)	(33,118)
Prepaid Expenses	13,318	(38,027)
Accounts Payable and Accruals	119,001	339,435
Deferred Operating Contributions	38,086	217,612
	<u>\$ (129,315)</u>	<u>\$ 396,097</u>

6. Capital assets

			2019		2018	
	Cost	Accumulated Amortization	Net	Net	Net	Net
Land	\$ 35,724	\$ -	\$ 35,724	\$ 35,724	\$ 35,724	\$ 35,724
Land Improvements	986,078	912,990	73,088	78,612	78,612	78,612
Buildings						
Hospital	23,552,413	12,398,350	11,154,063	10,996,068	10,996,068	10,996,068
Service equipment	4,360,583	1,660,563	2,700,020	2,763,940	2,763,940	2,763,940
Major equipment						
Hospital	10,323,475	8,975,916	1,347,559	1,459,936	1,459,936	1,459,936
Information systems	1,037,995	1,004,201	33,794	57,875	57,875	57,875
	<u>40,296,268</u>	<u>24,952,020</u>	<u>15,344,248</u>	<u>15,392,155</u>	<u>15,392,155</u>	<u>15,392,155</u>
Construction in Progress	-	-	-	-	-	31,841
	<u>\$ 40,296,268</u>	<u>\$ 24,952,020</u>	<u>\$ 15,344,248</u>	<u>\$ 15,423,996</u>	<u>\$ 15,423,996</u>	<u>\$ 15,423,996</u>

7. Accounts payable and accrued liabilities

	2019	2018
Accounts payable trade and other	\$ 388,179	\$ 419,459
Statutory payroll deductions payable	371,319	267,787
Accrued salaries and benefits	1,050,264	1,003,515
	<u>\$ 1,809,762</u>	<u>\$ 1,690,761</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

8. (a) Investment in capital assets

	2019	2018
Capital assets at net book value	\$ 15,344,248	\$ 15,423,996
Amounts financed by -		
Deferred capital contributions	(12,329,435)	(12,419,041)
Long term Debt	(1,947,022)	(2,043,052)
	\$ 1,067,791	\$ 961,903

(b) Change in net assets invested in capital assets

	2019	2018
Deficiency of revenues under expenditures		
Amortization of deferred contributions	\$ 864,492	\$ 856,112
Amortization of capital assets	(1,096,502)	(1,101,054)
	(232,010)	(244,942)
Net change in capital assets		
Purchase of capital assets	1,016,754	707,511
Amounts funded by -		
Deferred capital contributions		
Utilized to purchase capitals assets during the year	(774,886)	(603,482)
Long-term debt repayment	96,030	92,549
	\$ 337,898	\$ 196,578

9. Long term debt

	2019	2018
3.70 % Mortgage, 8 year fixed rate		
Secured by Wilkes Terrace LTC wing		
Monthly blended payments of principal and interest of \$14,168 amortized over 20 years, rate term maturing February 28, 2022	\$ 1,947,022	\$ 2,043,052
Current portion	(99,455)	(96,030)
	\$ 1,847,567	\$ 1,947,022

The approximate principal repayments for each of the next five years and thereafter are due as follows:

2020	-	99,455
2021	-	103,387
2022	-	107,278
2023	-	111,315
2024	-	117,455
Thereafter	-	1,408,132

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

10. Deferred capital contributions

Deferred capital contributions represent current and prior fiscal years' funding expended for the purchase of capital assets. These capital contributions are realized as the related capital assets are amortized.

					2019	2018
	Donation	Government	Provincial Grants	Other	Net	Net
Balance at beginning of year	\$ 1,323,501	\$ 9,677,324	\$ 1,091,649	\$ 326,567	\$ 12,419,041	\$ 12,671,671
Received during the year	177,469	597,417	-	-	774,886	603,482
Amortized during the year	(164,809)	(584,229)	(105,556)	(9,898)	(864,492)	(856,112)
	\$ 1,336,161	\$ 9,690,512	\$ 986,093	\$ 316,669	\$ 12,329,435	\$ 12,419,041

Deferred capital contributions

			2019	2018
	Donations	Government and Other	Total	Total
Unamortized portion	\$ 984,192	\$ 10,993,274	\$ 11,977,466	\$ 12,229,180
Unexpended portion	351,969	-	351,969	189,861
	\$ 1,336,161	\$ 10,993,274	\$ 12,329,435	\$ 12,419,041

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

11. Community support services funding

	<u>2019</u>	<u>2018</u>
Assisted Living - Marathon	\$ 204,798	\$ 206,936
Opioid Program - Marathon	20,400	13,400
Home Maintenance - Terrace Bay	12,614	12,614
Meals on Wheels - Marathon	37,251	40,831
Meals on Wheels - Terrace Bay	46,982	48,989
Seniors Day Away - Terrace Bay	15,167	
Seniors Transportation Van - Marathon	30,575	54,676
	<u>\$ 367,787</u>	<u>\$ 377,446</u>

Community support services expenditures

	<u>2019</u>	<u>2018</u>
Assisted Living - Marathon	\$ 230,292	\$ 213,271
Opioid Program - Marathon	19,268	13,400
Home Maintenance - Terrace Bay	12,614	12,614
Meals on Wheels - Marathon	44,713	44,915
Meals on Wheels - Terrace Bay	57,682	58,078
Seniors Day Away - Terrace Bay	4,321	
Seniors Transportation Van - Marathon	32,386	48,075
	<u>\$ 401,276</u>	<u>\$ 390,353</u>

12. Other service program funding and other revenue

	<u>2019</u>	<u>2018</u>
LTC Internal Recoveries	\$ 379,957	\$ 392,406
Laundry Internal Recoveries	174,009	169,851
Donations	18,296	17,413
Ancillary Rental Income	121,439	119,051
Handi-Transit Revenue	46,512	41,695
Dietary Recoveries	50,504	34,417
Stroke Program Funding	25,992	26,000
New Horizons - SSH	632	-
External Recoveries - Programs	152,145	53,522
Sundry Recoveries	189,079	133,271
	<u>\$ 1,158,565</u>	<u>\$ 987,626</u>

Other service programs expenditures

	<u>2019</u>	<u>2018</u>
Ancillary Rental Expenses	\$ 9,143	\$ 9,135
Handi-Transit	44,931	39,102
New Horizons - SSH	632	-
Dietary Supplies	21,615	12,000
	<u>\$ 76,321</u>	<u>\$ 60,237</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

13. Contingent liabilities

Employee fringe benefits

The Hospital, together with other regional hospitals, has a self-insured employee benefit plan for semi-private, dental and extended health care benefits. Under the terms of the plan, the Hospital will pay for certain employee benefit claims not exceeding \$10,000 per employee per year. Any excess claims would be insured.

14. Employee future benefits

At March 31, 2019, the Hospital's total accrued benefit obligation related to post retirement benefits plans (other than pension) is \$604,100.

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

Discount rate	3.5%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - extended health care	6.50%
decreasing by 0.25% per annum to an ultimate rate of	5.0%

Included in employee benefits on the statement of operations is an amount of \$34,400 for employee future benefits. This amount is comprised of:

	<u>2019</u>	<u>2018</u>
Additional benefit expenses	\$ 87,200	\$ 74,600
Estimated payments made by the Hospital during the year	<u>(52,800)</u>	<u>(36,500)</u>
	<u>\$ 34,400</u>	<u>\$ 38,100</u>

15. Commitments

Under the terms of equipment and maintenance leases, the Corporation is committed to make minimum monthly lease payments totaling \$43,105 per annum. The lease expiry dates range from November 2019 to September 2024.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

16. Pension Plan

Most of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the Plan), Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. On January 1, 2019, the contribution rates were 6.9% up to the year's maximum pensionable earnings (YMPE) and 9.2% above the YMPE. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions. (The Hospital's portion of 1.26 of the employees' contribution).

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2018 indicates the Plan is 121% funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$686,592 and are included in the statement of operations.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

17. Long-Term Care

	2019	2018
FUNDING PROV LHINS-LTCH Nursing & PC Envelope		
Nursing envelope revenue	\$ 1,049,747	\$ 958,208
Nursing envelope expenses	<u>1,134,398</u>	<u>1,040,440</u>
	(84,651)	(82,232)
FUNDING PROV LHINS-LTCH PSS Envelope		
PSS envelope revenue	97,896	96,020
PSS envelope expenses	<u>122,725</u>	<u>115,826</u>
	(24,829)	(19,806)
FUNDING PROV LHINS-LTCH Raw Food Envelope		
Raw Food envelope revenue	75,521	71,163
Raw Food envelope expenses	<u>78,157</u>	<u>70,854</u>
	(2,636)	309
FUNDING PROV LHINS-LTCH OA Envelope		
OA envelope revenue	472,522	459,843
OA envelope expense	<u>558,426</u>	<u>582,390</u>
	(85,904)	(122,547)
Premium Income	<u>51,495</u>	<u>53,439</u>
Total LTC Revenue	1,747,181	1,638,673
Total LTC Expense	1,893,706	1,809,510
Subtotal	<u>(146,525)</u>	<u>(170,837)</u>
Deferred Revenue Amortization	271,756	278,764
Depreciation	368,522	368,830
LONG TERM CARE DEFICIT	<u>\$ (243,290)</u>	<u>\$ (260,903)</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

18. Financial Instruments and Risk Management

The Hospital's financial instruments consist of cash and cash equivalents, capital expenditure reserve fund, accounts receivable, accounts payable and accrued liabilities.

The Hospital's financial instruments are generally classified and measured as follows:

Assets/liabilities	Measurement Category	Fair Value Level
Cash and cash equivalents - Restricted	fair value	Level 1
Cash and cash equivalents - Unrestricted	fair value	Level 1
Accounts receivable	amortized cost	
Accounts payable and accrued liabilities	amortized cost	
Long term debt	amortized cost	

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair value of the financial

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Risk and Concentration

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations as at March 31, 2019.

Credit risk:

The Hospital's exposure to credit risk relates to its accounts receivable and arises from the possibility that debtors will not fulfill their obligations under their agreements. This risk is minimized through continuous monitoring of aged receivable balances, providing for an adequate allowance for doubtful accounts, monitoring patient receivables, WSIB and government amounts receivable. There has been no change in credit risk from that of prior year.

Liquidity risk:

Liquidity risk is the risk that the Hospital will encounter difficulty raising liquid funds to meet commitments as they arise. In meeting its liquidity requirements the organization monitors its working capital, cash flow requirements and obligations. The organization maintains a target level of available cash to meet liquidity requirement as they come due and has adequate borrowing facilities. There has been no change in liquidity risk from that of prior year.

Interest rate risk:

Interest rate risk is the risk for potential financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its long term debt. The Hospital's exposure to interest rate risk is minimal. There has been no change in interest rate risk from that of the prior year.

Interest on long term debt for 2019 \$81,480.

19. Comparative Figures

Certain prior year comparative figures have been reclassified to conform with the presentation adopted in the current year.