

Grey Bruce Health Services
Financial Statements
For the year ended March 31, 2020

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Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

**To the Board of Directors and the Members of
Grey Bruce Health Services**

Opinion

We have audited the accompanying financial statements of Grey Bruce Health Services, which comprise the statement of financial position as at March 31, 2020 and the statements of changes in net assets, remeasurement gains, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Grey Bruce Health Services as at March 31, 2020 and the results of its operations 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Grey Bruce Health Services 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 these 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 Grey Bruce Health Services 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 Grey Bruce Health Services or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Grey Bruce Health Services financial reporting process.



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 Grey Bruce Health Services 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 Grey Bruce Health Services 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 Grey Bruce Health Services 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Grey Bruce Health Services to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
June 10, 2020

Grey Bruce Health Services
Statement of Financial Position
(In Thousands of Dollars)

March 31	2020	2019
Assets		
Current		
Cash and investments (Note 3)	\$ 46,536	\$ 39,699
Accounts receivable (Note 4)	8,099	7,080
Inventory	5,125	4,444
Prepaid expenses	1,815	2,695
	<u>61,575</u>	<u>53,918</u>
Capital assets (Note 5)	72,603	71,331
Promissory notes (Note 6)	289	232
	<u>\$ 134,467</u>	<u>\$ 125,481</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 33,426	\$ 26,657
Post-employment benefits and compensated absences (Note 8)	10,370	10,169
Deferred contributions (Note 9)	65,028	64,739
	<u>108,824</u>	<u>101,565</u>
Net assets (Page 5)		
Internally restricted for capital asset replacement	15,670	13,503
Endowment fund	67	69
Unrestricted	9,900	10,336
	<u>25,637</u>	<u>23,908</u>
Accumulated remeasurement gains (Page 6)	6	8
	<u>25,643</u>	<u>23,916</u>
	<u>\$ 134,467</u>	<u>\$ 125,481</u>

Approved on behalf of the Board:

_____ *B. Kearney* Director
_____ *Paul Smeaton* Director

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

Grey Bruce Health Services
Statement of Changes in Net Assets
(In Thousands of Dollars)

March 31	Internally Restricted for Capital Asset Replacement	Endowment Fund	Unrestricted	Total 2020	Total 2019
Balance, beginning of the year	\$ 13,503	\$ 69	\$ 10,336	\$23,908	\$ 22,870
Revenue over expenditures (Page 7)	-	-	1,729	1,729	1,038
Unrealized loss on shares (Page 6)	-	(2)	2	-	-
Interfund transfers	2,167	-	(2,167)	-	-
Balance, end of the year	\$ 15,670	\$ 67	\$ 9,900	\$25,637	\$ 23,908

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

Grey Bruce Health Services
Statement of Remeasurement Gains
(In Thousands of Dollars)

<u>For the year ended March 31</u>	<u>2020</u>	<u>2019</u>
Accumulated remeasurement gains, beginning of the year	\$ 8	\$ 13
Unrealized losses attributed to investment	<u>(2)</u>	<u>(5)</u>
Accumulated remeasurement gains, end of the year	<u>\$ 6</u>	<u>\$ 8</u>

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

Grey Bruce Health Services
Statement of Operations
(In Thousands of Dollars)

For the year ended March 31	2020	2019
Revenue		
Ministry of Health and Long-Term Care (Note 10)	\$ 158,345	\$ 151,111
Patient revenue from other payors	16,442	16,453
Differential and co-payment revenue	3,059	2,318
Undistributed and miscellaneous revenue	24,155	22,148
Amortization of deferred contributions	5,055	5,532
	<u>207,056</u>	<u>197,562</u>
Expenses		
Salaries and wages	93,128	90,845
Employee benefits	25,632	25,109
Medical staff remuneration	18,803	18,049
Supplies and other expenses	31,224	26,811
Medical and surgical supplies	10,421	11,015
Drugs and medical gases	19,984	18,283
Equipment amortization	5,641	5,769
	<u>204,833</u>	<u>195,881</u>
Excess of revenue over expenditures before other	<u>2,223</u>	<u>1,681</u>
Other revenue (expenses)		
Program revenue from Ministry of Health and Long-Term Care	6,808	4,859
Program expenses for Ministry of Health and Long-Term Care	(6,808)	(4,895)
Amortization of deferred contributions	3,083	2,901
Amortization of building assets	(3,577)	(3,508)
	<u>(494)</u>	<u>(643)</u>
Excess of revenue over expenditures	<u>\$ 1,729</u>	<u>\$ 1,038</u>

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

Grey Bruce Health Services
Statement of Cash Flows
(In Thousands of Dollars)

For the year ended March 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 1,729	\$ 1,038
Items not involving cash:		
Amortization of capital assets - equipment	5,641	5,769
Amortization of capital assets - building assets	3,577	3,512
Amortization of deferred contributions	(8,138)	(8,430)
Unrealized gain on shares	(2)	(5)
Accrued for post-employment benefits and compensated absences	201	408
Loss on disposal of capital assets	100	-
	<u>3,108</u>	2,292
Changes in non-cash working capital balances		
Accounts receivable	(1,019)	429
Inventory	(681)	(9)
Prepaid expenses	880	(359)
Accounts payable and accrued liabilities	6,769	(3,388)
	<u>9,057</u>	(1,035)
Financing activities		
Advance of promissory notes	(360)	(200)
Repayment of promissory notes	303	312
	<u>(57)</u>	112
Capital activities		
Purchase of capital assets	(10,590)	(9,913)
Receipt of capital grants	3,199	4,774
Receipt of restricted donations	5,228	5,280
	<u>(2,163)</u>	141
Net increase (decrease) in cash and investments during the year	6,837	(782)
Cash and investments, beginning of the year	39,699	40,481
Cash and investments, end of the year	\$ 46,536	\$ 39,699

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

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Grey Bruce Health Services is incorporated without share capital under the laws of Ontario. Grey Bruce Health Services is principally involved in providing health services to the Villages of Lion's Head and Markdale, the Towns of Meaford, Wiarton and Southampton, the City of Owen Sound and surrounding areas. The Hospital is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Basis of Presentation

The financial statements of the Hospital 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. The Hospital Foundations referred to in the notes, are separate entities whose financial information is reported separately from the Hospital.

Cash and Investments

Cash and investments include cash on hand, deposits with banks and other highly liquid investments recorded at fair market value.

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventory is determined on an average cost basis. All other inventory items are valued on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Buildings, service equipment and land improvements	5 - 40 years
Major equipment	3 - 15 years

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

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

Fair value

This category includes cash and investments. They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, then they are transferred to the statement of operations. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

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, promissory notes and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs 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 write-down being recognized in the statement of operations.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

**Retirement and Post-
Employment Benefits and
Compensated Absences**

The Hospital provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of 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. Plan amendments, including past services costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The costs of vesting sick leave benefits are determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) The discount rate used in the determination of the above mentioned liabilities is equal to the Hospital's rate of borrowing.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions, which includes donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MOHLTC), and the South West Local Health Integration Network (LHIN). The Hospital entered into a Hospital Service Accountability Agreement (the H-SAA) in fiscal 2019 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year-end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the LHIN and, accordingly, the amortization of the buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenues for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue

Recognition (continued) Revenue from patient services is recognized when the service is provided.

Ancillary revenues consists of parking, cafeteria, retail pharmacy and GBIN and revenue is recognized when the goods are sold and services provided.

**Contributed Materials
and Services**

Contributed materials, which are used in the normal course of the hospital's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Volunteers contribute many hours per year to assist the hospital in carrying out its service delivery activities. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with PSAB for Government NPO's requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of the financial statements are the determination of the allowance for doubtful accounts, inventory obsolescence and estimated useful life of buildings, improvements and equipment, actuarial estimation of post-employment benefits and compensated absences liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

2. Financial Instrument Classification

The Hospital's financial instruments consist of cash and investments, accounts receivable, promissory notes and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

	2020		
	Fair Value	Cost	Total
Cash and investments	\$ 46,536	\$ -	\$ 46,536
Accounts receivable	-	8,099	8,099
Promissory notes	-	289	289
Accounts payable and accrued liabilities	-	33,426	33,426
	2019		
	Fair Value	Cost	Total
Cash and investments	\$ 39,699	\$ -	\$ 39,699
Accounts receivable	-	7,081	7,081
Promissory notes	-	232	232
Accounts payable and accrued liabilities	-	26,657	26,657

The only financial instruments that are measured subsequent to initial recognition at fair value are cash and investments. These are fair value measurements that are derived from quoted prices (unadjusted) in the active markets for identical assets or liabilities using the last bid price.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

3. Cash and Investments

	2020	2019
Unrestricted Investments		
Cash	\$ 30,709	\$ 26,044
Funds Internally Restricted for Capital Replacement		
Cash	15,670	13,503
Funds Restricted for Endowment Purposes		
Cash	88	81
Guaranteed Investment Certificate	1	1
BCE shares	68	70
	157	152
	\$ 46,536	\$ 39,699

Grey Bruce Health Services has an undrawn credit facility of \$6,750.

4. Accounts Receivable

	2020	2019
Patient accounts and other	\$ 7,319	\$ 6,685
Ministry of Health and Long-Term Care	1,251	861
Due from Foundations	254	30
Current portion of promissory notes (Note 6)	242	326
	9,066	7,902
Less: Allowance for doubtful	(967)	(822)
	\$ 8,099	\$ 7,080

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 853	\$ -	\$ 853	\$ -
Buildings, service equipment and land improvements	143,618	89,567	138,209	85,987
Major equipment	129,017	111,318	124,754	106,498
	\$ 273,488	\$ 200,885	\$ 263,816	\$ 192,485
		\$ 72,603		\$ 71,331

The Hospital acquired capital assets at an aggregate cost of \$10,590 (2019 - \$9,913) during the year.

The net book value of assets not being amortized because they are under construction (or in development) is \$7,625 (2019 - \$3,497).

In addition, the Hospital disposed of capital assets with a net book value of \$2,065 (2019 - \$Nil).

6. Promissory Notes

	2020		2019	
Promissory notes, non-interest bearing, due dates vary from 2020 to 2023	\$ 531	\$	558	
Less: Current portion (Note 4)	(242)		(326)	
	\$ 289	\$	232	

Annual repayments due over the next four years are as follows:

2021	\$	242	
2022		155	
2023		93	
2024		41	
		\$ 531	

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

7. Accounts Payable and Accrued Liabilities

	2020	2019
Trade accounts payable and accrued liabilities	\$ 27,630	\$ 25,668
Ministry of Health and Long-Term Care	5,796	989
	\$ 33,426	\$ 26,657

8. Post-Employment Benefits and Compensated Absences

(a) Post-Employment Benefits

The Hospital provides post-employment benefits comprised of extended health care, dental and semi-private insurance benefits to substantially all full-time employees. At March 31, 2020, the Hospital's accrued benefit obligation relating to these post-retirement benefit plans is \$10,185 (2019 - \$9,961) comprised as follows:

	2020	2019
Accrued benefit obligation, beginning of the year	\$ 9,961	\$ 9,513
Annual benefit cost	495	554
Employer contributions	(492)	(306)
Other	221	200
	10,185	9,961
Employee future benefits liability	185	208
	10,370	10,169
	\$ 10,370	\$ 10,169

Annual benefit costs are comprised as follows:

	2020	2019
Current service cost	\$ 390	\$ 412
Interest cost	234	246
Amortization of net actuarial loss	(129)	(104)
	\$ 495	\$ 554
	\$ 495	\$ 554

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

8. Post-Employment Benefits and Compensated Absences (continued)

The most recent actuarial valuation was done as of March 31, 2019. The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation and benefit costs are as follows:

	2020	2019
Discount rate	3.29%	3.18%
Hospital cost escalation	4.00%	4.00%
Drug, vision and other medical cost escalation (decreasing to 4% over 20 years)	7.00%	7.00%
Dental benefits cost escalation	4.00%	4.00%

(b) Pension Plan

Substantially all of the employees of the Grey Bruce Health Services are eligible for membership in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five consecutive years prior to retirement, termination or death.

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, together with amounts contributed by the employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan.

Variances between actuarial funding estimates and the actual experience may be material and any differences are generally to be funded by the participating members. Employer contributions made to the Plan during the year by Grey Bruce Health Services amounted to \$7,966 (2019 - \$7,662). These amounts are included in employee benefits expense in the Statement of Revenues and Expenditures. The most recent actuarial valuation of the Plan was as at December 31, 2018.

HOOPP is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of the employers and employees. Grey Bruce Health Services does not recognize any share of the HOOPP pension surplus or deficit. The plan has reported a \$20.6 billion actuarial surplus at the end of December 31, 2019 (2018 - \$13.9 billion surplus), based on actuarial liabilities of \$73.5 billion (2018 - \$65.1 billion) and actuarial net assets of \$94.1 billion (2018 - \$79.0 billion).

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

8. Post-Employment Benefits and Compensated Absences (continued)

(c) Compensated Absences

Vesting Sick Leave

Past union contracts included provisions for employees to accrue 1.5 days per month for use as a compensated absence in the event of illness or injury. Employees were permitted to accumulate their unused allocation up to the allowable maximum provided in their respective union contract.

Upon termination of employment, the employee is eligible for cash payment of 50% of the vested hours. The hours are paid out at the salary rate in effect at the time of payment, unless the employees payment amount has been pre-determined.

At March 31, 2020, included in post-employment benefits and compensated absences is vested sick leave of \$185 (2019 - \$208).

The assumptions used in the valuation of vesting sick leave are the Hospital's best estimates of expected rates of:

	2020	2019
Discount rate	3.29%	3.18%
Wage and salary escalation	2.00%	2.00%

9. Deferred Contributions

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2020	2019
Balance, beginning of the year	\$ 64,739	\$ 63,115
Add: Contributions of capital grants	3,199	4,774
Add: Contributions of restricted donations	5,228	5,280
Less: Amortization of contributions	(8,138)	(8,430)
Balance, end of the year	\$ 65,028	\$ 64,739

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

10. Ministry of Health and Long-Term Care

	<u>2020</u>		<u>2019</u>
Global Funding	\$ 72,941	\$	73,809
Health Based Allocation Model (HBAM)	40,526		40,526
Quality Based Procedures (QBP)	19,924		18,037
Cancer Care Ontario (CCO)	13,879		11,109
Other	11,075		7,630
	<u>\$ 158,345</u>	\$	<u>151,111</u>

11. Hospital Foundations

The Hospital receives support from various Foundations and Auxiliaries. The Foundations and Auxiliaries are independent corporations incorporated without share capital with their own independent Board of Directors.

At March 31, 2020, the Hospital has a receivable from the Foundations of \$254 (2019 - \$30). Total funds received from the Foundations and Auxiliaries for fiscal 2020 amounted to \$5,228 (2019 - \$5,280).

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

12. Georgian Bay Information Network (GBIN)

The Georgian Bay Information Network (GBIN) represents the collaboration of 6 partner hospitals in a shared services agreement for core Cerner-related services, together with related incidental and ancillary services. The operational costs are shared by the respective partners based on an agreed upon percentage distribution methodology.

GBIN revenues and expenses are included in the total revenue and expenses on the statement of operations.

	2020	2019
Revenue		
Partner Contributions (Fees)		
Almonte General Hospital	\$ 379	\$ 365
Grey Bruce Health Services	2,851	3,942
Hanover District Hospital	495	443
Muskoka Algonquin Hospital	1,501	1,450
Orillia Soldiers Memorial Hospital	2,421	2,331
South Bruce Grey Health Centre	1,148	1,019
	8,795	9,550
Other Revenue	98	355
Total Revenue	8,893	9,905
Due (to)/from Partners	4	(719)
Net Revenue	8,897	9,186
Expenses		
Compensation - Salaries and Wages	2,867	2,840
Benefit Contributions to Employees	675	650
Purchased Service Personnel	16	370
Licensing and Maintenance Contracts	4,226	4,295
Supplies and Other Expenses	1,113	1,031
Total Expenses	8,897	9,186
Net Revenue Over Expenses	\$ -	\$ -

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2020

13. Commitments

As at March 31, 2020, the Hospital had awarded a contract to Dialog Ontario Inc. to provide architectural and consulting services for the Greenfield capital redevelopment project for the Markdale Hospital at an approximate cost of \$4,044. Professional services began in August 2017. To date, the hospital has paid costs totaling approximately \$2,351 (2019 - \$1,008) related to this commitment.

Markdale is a ministry supported redevelopment project for which eligible building and design costs will be 90% funded from the Ministry. The remaining 10% represents the local share which will be funded by the Hospital and its fundraising sources.

As at March 31, 2020, the Hospital had awarded a contract to Cerner Canada ULC for the migration and update of the GBIN Cerner instance to a Remote Hosting Option. The provision of services is for the GBIN, which represents a partnership agreement including Grey Bruce Health Services, South Bruce Grey Health Centre, Hanover & District Hospital, Muskoka Algonquin Healthcare, Orillia Soldiers' Memorial Hospital and Almonte General Hospital, to which each partner shares in the financial commitment. The contract was awarded on December 21, 2018 at an approximate cost of \$22,579, with the Hospital's partnership share being approximately \$8,533 (37.79%). To date, the Hospital has incurred net costs totalling approximately \$1,145 (2019 - \$230) relating to this commitment

As at March 31, 2020, the Hospital had awarded contracts to multiple vendors for the MRI suite project. The total project costs approved totalled \$4,500. The most significant vendors listed on project is Siemens Health Limited for \$2,259 and Western Medical Limited for \$1,690. To date, the Hospital has incurred net costs totalling approximately \$1,160 relating to this commitment.

14. Contingencies

Grey Bruce Health Services is involved in various legal proceedings and believes it has adequate legal defences and/or insurance coverage with respect to these actions. However, it is possible that these cases could result in outcomes unfavourable to the Hospital. The outcome of litigation is inherently difficult to predict. In the event of an adverse outcome, management believes the amount of any such loss in excess of insurance coverage would not be material.

The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2020, with respect to claims.

March 31, 2020

15. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and investments, promissory notes and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$500,000 (2019 - \$500,000).

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Health and Long-Term Care in relation to their funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bonds quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographical exposure.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the Provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

Any amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them, are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or 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 Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

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.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in 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 interest bearing investments.

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.

March 31, 2020

15. Financial Instrument Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

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.

16. Subsequent Events

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ["COVID-19"] as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. Subsequent to year-end, governments worldwide have continued to enact emergency measures to combat the spread of the virus. As a result, the Hospital is experiencing changes in demand for its services and is working to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

The impact of COVID-19 has led to significant volatility and declines in the global equity and fixed income markets during the first quarter of 2020. It is uncertain how long this volatility will continue and could potentially lead to further decreases in the value and income of portfolio investments. As COVID-19 continues to spread, the potential impacts including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Management considered the impact of COVID-19 in its assessment of the Hospital's assets and liabilities and its ability to continue as a going concern.

Although COVID-19 has had an impact on the Hospital's operations, as well as the funding and operations of its related entities, the Hospital has sufficient liquidity to maintain current operations as well as the additional operational demands relating to the Hospital's COVID-19 response. In addition, the Hospital is tracking and reporting expenses related to the COVID-19 response and is applying for government reimbursement of expenses incurred by the Hospital in order to mitigate the financial impacts of the Hospital's COVID-19 response during the year ended March 31, 2020 and thereafter.

The duration and impact of the COVID-19 outbreak is unknown at this time as well as the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions and slow the spread of the disease. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Hospital in future years.
