

Financial Statements of

# **TEMISKAMING HOSPITAL**

Year ended March 31, 2018



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## **INDEPENDENT AUDITORS' REPORT**

To the Directors of Temiskaming Hospital

We have audited the accompanying financial statements of Temiskaming Hospital, which comprise the statement of financial position as at March 31, 2018, the statement of operations, changes in net assets, remeasurement gains and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Temiskaming Hospital, as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 19, 2018

# TEMISKAMING HOSPITAL


## Statement of Operations


Year ended March 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
North East Local Health Integration Network and Ministry of Health and Long-Term Care	\$ 21,109,547	\$ 20,352,399
Cancer Care Ontario	954,360	1,176,564
Patient services	3,035,926	3,309,361
Other	1,971,268	2,001,617
Amortization - deferred capital contributions for equipment	150,193	59,239
	<u>27,221,294</u>	<u>26,899,180</u>
<b>Expenses:</b>		
Salaries and wages	13,530,675	14,015,262
Supplies and other	4,955,534	4,503,655
Employee benefits	3,907,116	3,580,992
Medical staff remunerations	2,512,157	2,325,893
Drugs	1,067,372	1,273,459
Medical and surgical supplies	622,682	676,865
Amortization - equipment	618,075	631,901
	<u>27,213,611</u>	<u>27,008,027</u>
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>	<b>7,683</b>	<b>(108,847)</b>
Amortization - deferred capital contributions for buildings, land improvements and building service equipment	128,576	109,236
Amortization - buildings, land improvements and building service equipment	(644,139)	(644,099)
Other income	-	638,787
<b>Deficiency of revenue over expenses</b>	<b>\$ (507,880)</b>	<b>\$ (4,923)</b>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# TEMISKAMING HOSPITAL

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 1,286,336	\$ 1,962,720
Investments (note 2)	3,083,455	2,972,983
Accounts receivable (note 3)	1,065,323	1,069,295
Inventories	373,888	413,439
Prepaid expenses	321,394	312,097
Note receivable (note 4)	1,480,000	2,000,000
	<u>7,610,396</u>	<u>8,730,534</u>
Capital assets (note 5)	14,123,403	14,189,188
	<u>\$ 21,733,799</u>	<u>\$ 22,919,722</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 3,525,539	\$ 4,417,071
Deferred capital contributions (note 8)	2,996,005	2,722,421
Employee post-retirement benefits (note 9)	1,625,833	1,539,834
	<u>8,147,377</u>	<u>8,679,326</u>
Net assets	13,234,522	13,742,402
Remeasurement gains	351,900	497,994
Contingencies (note 13)		
	<u>\$ 21,733,799</u>	<u>\$ 22,919,722</u>

See accompanying notes to financial statements.

# TEMISKAMING HOSPITAL

## Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Net assets, beginning of year	\$ 13,742,402	13,747,325
Deficiency of revenue over expenses	(507,880)	(4,923)
Net assets, end of year	\$ 13,234,522	13,742,402

See accompanying notes to financial statements

# TEMISKAMING HOSPITAL

## Statement of Remeasurement Gains

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Remeasurement gains, beginning of year	\$ 497,994	\$ 561,153
Amounts reclassified to statement of operations - realized investment gain	-	(366,187)
Unrealized investment gain (loss)	(146,094)	303,028
Remeasurement gains, end of year	\$ 351,900	\$ 497,994

See accompanying notes to financial statements.

# TEMISKAMING HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (507,880)	\$ (4,923)
Adjustments for:		
Amortization of capital assets	1,262,214	1,276,000
Amortization of deferred capital contributions	(278,769)	(168,475)
Realized gain on investments	-	(366,187)
Increase in employee post-retirement benefits	85,999	20,743
	<u>561,564</u>	<u>757,158</u>
Change in non-cash working capital (note 10)	<u>(857,306)</u>	<u>50,444</u>
	(295,742)	807,602
Cash flows from capital activities:		
Net additions to capital assets	(1,196,429)	(1,191,610)
Increase in deferred capital contributions	<u>552,353</u>	<u>468,860</u>
	(644,076)	(722,750)
Cash flows from investing activities:		
Decrease (increase) in investments	(110,472)	1,572,133
Decrease (increase) in note receivable	520,000	(2,000,000)
Unrealized gain (loss) on investments	<u>(146,094)</u>	<u>303,028</u>
	263,434	(124,839)
Net increase (decrease) in cash	<u>(676,384)</u>	<u>(39,987)</u>
Cash, beginning of year	1,962,720	2,002,707
Cash, end of year	<u>\$ 1,286,336</u>	<u>\$ 1,962,720</u>

See accompanying notes to financial statements.



# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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Temiskaming Hospital (the "Hospital") was incorporated under the laws of Ontario. The Hospital is principally involved in providing health care services to Temiskaming Shores and the surrounding area. 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.

## 1. 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.

### (a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

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 (the "Ministry") and the North East Local Health Integration Network ("NELHIN"). Operating grants are recorded as revenue in the period to which they relate. 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 the subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

### (b) Funding adjustments:

The Hospital receives grants from the NELHIN and MOHLTC for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC or NELHIN may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

### (c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

(d) Inventories:

Inventories are stated at the lower of average cost and net realizable value.

(e) Capital assets:

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis over their estimated useful lives as follows:

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Plant and property	10 to 40 years
Equipment and furnishings	3 to 20 years
Computer software	3 to 5 years

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In the year of acquisition, amortization is pro-rated based on the date of service.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (f) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 7 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### (g) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains. On sale, the statement of remeasurement gains associated with that instrument are reversed and recognized in the statement of operations.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 1. Significant accounting policies (continued):

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

## 2. Investments:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Pooled investment funds	\$2,731,555	3,083,455	2,474,989	2,972,983

## 3. Accounts receivable:

	2018	2017
Patients and clients	\$ 944,504	904,960
Harmonized Sales Tax	136,505	186,380
Allowance for doubtful accounts	(15,686)	(22,045)
	\$ 1,065,323	1,069,295

## 4. Note receivable:

	2018	2017
Temiskaming Hospital Foundation	\$ 1,480,000	2,000,000

The note receivable is non-interest bearing, has no specified terms of repayment and is due on demand. The advance was made to assist the Temiskaming Hospital Foundation in fulfilling its core mandate.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 5. Capital assets:

2018	Cost	Accumulated Amortization	Net book Value
Land improvements	\$ 937,286	932,053	5,233
Buildings	17,048,045	9,168,596	7,879,449
Building service equipment	7,185,695	4,349,100	2,836,595
Furniture and equipment	14,547,170	11,145,044	3,402,126
	\$ 39,718,196	25,594,793	14,123,403

2017	Cost	Accumulated Amortization	Net book Value
Land improvements	\$ 937,286	930,442	6,844
Buildings	17,048,044	8,731,693	8,316,351
Building service equipment	7,185,695	4,142,094	3,043,601
Furniture and equipment	13,426,477	10,604,085	2,822,392
	\$ 38,597,502	24,408,314	14,189,188

## 6. Credit facilities:

The Hospital has arranged for a demand operating line to \$750,000 bearing interest at banker's prime rate less 0.25%. As at March 31, 2018, no amounts were outstanding under the demand operating line (2017 - \$Nil).

## 7. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable	\$ 1,257,986	2,109,443
Payroll accruals:		
- salaries and wages	1,140,487	1,123,063
- vacation pay and other entitlements	819,168	880,808
Deferred revenue	307,898	303,757
	\$ 3,525,539	4,417,071

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balance of donations and grants received for the purchase of capital assets. Details of the continuity of these funds are as follows:

	2018	2017
Balance, beginning of year	\$ 2,722,421	2,422,036
Additional contributions received	552,353	468,860
Less amounts amortized to revenue	(278,769)	(168,475)
Balance, end of year	\$ 2,996,005	2,722,421

The deferred contributions related to capital assets consist of the following:

	2018	2017
Unamortized	\$ 2,334,092	2,400,846
Unspent	661,913	321,575
	\$ 2,996,005	2,722,421

## 9. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at March 31, 2015.

The accrued benefit obligation is recorded in the financial statements as follows:

	2018	2017
Balance, beginning of year	\$ 1,539,834	1,519,091
Add: Benefit costs	168,898	75,536
	1,708,732	1,594,627
Less: Benefit contributions	(82,899)	(54,793)
Balance, end of year	\$ 1,625,833	1,539,834

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 9. Employee post-retirement benefits (continued):

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

	2018	2017
Discount rate	3.37%	3.56%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	7.00%	7.50%
	Decreasing 0.5% annually to an ultimate rate of 4.5%	

## 10. Change in non-cash working capital:

	2018	2017
Accounts receivable	\$ 3,972	(277,989)
Inventories	39,551	(52,663)
Prepaid expenses	(9,297)	(76,493)
Accounts payable and accrued liabilities	(891,532)	457,589
	\$ (857,306)	50,444

## 11. Pension plan:

Substantially all of the employees of the Hospital are members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions made to the plan during the year by the Hospital on behalf of its employees amounted to \$1,066,206 (2017 - \$1,039,026) and are included in employee benefits in the statement of operations.

## 12. Related entities:

The Hospital has an economic interest in the Temiskaming Hospital Foundation and Temiskaming Hospital CAT Scan Foundation.

The Temiskaming Hospital Foundation was created for the purposes of promoting and participating in fundraising programs in order to raise money for capital equipment. During the year, the Hospital received donations amounting to \$77,928 (2017 - \$614,091) from the Temiskaming Hospital Foundation.

The Temiskaming Hospital CAT Scan Foundation was created for the purposes of raising funds to support the operation of a CAT scanner. During the year, the Hospital received donations amounting to \$155,000 (2017 - \$170,000) from the Temiskaming Hospital CAT Scan Foundation.

# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 13. Contingencies:

### (a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

### (b) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

### (c) Insurance:

A group of healthcare institutions, including the Hospital, are members of the Health Care Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2018, no assessments have been received.

## 14. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2018 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2018 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2017.

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2017.



# TEMISKAMING HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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**15. Comparative information:**

Certain comparative figures have been reclassified to conform with the presentation adopted in 2018.

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