

**Bluewater Health**  
**Financial Statements**  
For the year ended March 31, 2020

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## Independent Auditor's Report

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### To the Directors and Members of Bluewater Health

#### Opinion

We have audited the financial statements of Bluewater Health, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bluewater Health as at March 31, 2020, and its financial performance 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 Bluewater Health 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 Bluewater Health'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 Bluewater Health's 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.

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## Independent Auditor's Report

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### Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 Bluewater Health'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 Bluewater Health's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Bluewater Health to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
June 18, 2020

## Bluewater Health Statement of Financial Position

March 31	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	\$ 8,879,212	\$ 6,198,904
Short-term investments (Note 4)	246,852	549,516
Accounts receivable	5,010,234	6,802,771
Inventories	1,092,751	824,095
Prepaid expenses	2,125,712	2,044,645
	17,354,761	16,419,931
<b>Long-term</b>		
Interest in joint venture (Note 5)	64,063	65,758
Investment in subsidiary company (Note 6)	304,053	346,758
Investments (Note 7)	690,480	745,479
Capital assets (Note 8)	236,298,979	244,550,564
	\$ 254,712,336	\$ 262,128,490

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



**Bluewater Health  
Statement of Changes in Net Assets**

For the year ended March 31

	Invested in Capital Assets	Unrestricted	Restricted for Endowment	Restricted for Capital	2020 Total	2019 Total
Balance, beginning of year	\$ 31,837,852	\$ (23,015,712)	\$ 789,639	\$ 808,725	\$ 10,420,504	\$ 11,866,367
Excess (deficiency) of revenue over expense	(4,293,312)	3,604,355	-	-	(688,957)	(1,445,863)
Investment in capital assets	5,477,841	(5,477,841)	-	-	-	-
Transfer to restricted	-	(333,425)	-	333,425	-	-
Balance, end of year	\$ 33,022,381	\$ (25,222,623)	\$ 789,639	\$ 1,142,150	\$ 9,731,547	\$ 10,420,504

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

## Bluewater Health Statement of Operations

For the year ended March 31	2020	2019
<b>Revenue</b>		
Ministry of Health base funding	\$ 122,323,672	\$ 122,551,772
Ministry of Health other	30,379,557	28,482,844
Cancer Care Ontario	8,271,027	8,330,522
Paymaster	1,326,405	1,322,005
Patient OHIP	14,119,974	13,116,282
Workplace Safety Insurance Board	283,920	329,586
Other provinces	424,175	348,694
Other self pay	4,420,770	3,800,165
Recoveries and other	10,425,850	8,941,976
Parking revenue	1,004,110	992,733
Donations and interest	99,992	169,666
Deferred contributions - capital contributions	2,526,118	2,407,915
Administered programs	5,346,968	5,339,752
Share of income - joint venture	45,771	46,717
Share of income (loss) - subsidiary company	(42,705)	2,945
	<b>200,955,604</b>	<b>196,183,574</b>
<b>Expense</b>		
Salaries and wages	93,212,014	92,472,562
Medical staff remuneration	22,949,190	20,489,614
Employee benefits	26,491,807	25,326,684
Supplies	25,470,961	26,969,370
Medical and surgical supplies	8,886,404	9,049,710
Drug expense	12,274,126	11,341,276
Interest	270,169	213,601
Amortization - equipment	5,268,616	4,853,284
Administered programs	5,246,962	5,339,752
	<b>200,070,249</b>	<b>196,055,853</b>
<b>Excess of revenue over expense, hospital operations</b>	<b>885,355</b>	<b>127,721</b>
<b>Deferred building grants amortization</b>	<b>9,039,963</b>	<b>8,966,334</b>
<b>Building amortization</b>	<b>(10,555,821)</b>	<b>(10,454,779)</b>
<b>Interest on capital financing</b>	<b>(58,454)</b>	<b>(85,139)</b>
<b>Deficiency of revenue over expense</b>	<b>\$ (688,957)</b>	<b>\$ (1,445,863)</b>

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

## Bluewater Health Statement of Cash Flow

For the year ended March 31	2020	2019
<b>Cash resources provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expense	\$ (688,957)	\$ (1,445,863)
Items not involving cash		
Amortization	15,839,583	15,322,164
Loss on disposal of capital assets	19,810	193,691
Amortization of deferred contributions related to capital assets	(11,566,081)	(11,374,249)
Share of income - joint venture	(45,771)	(46,717)
Share of loss (income) in subsidiary company	42,705	(2,945)
Decrease in post-employment benefits	(183,500)	(211,200)
	<u>3,417,789</u>	<u>2,434,881</u>
Changes in non-cash operating working capital balances		
Short-term investments	302,664	(55,886)
Accounts receivable	1,792,537	(704,217)
Inventories	(268,656)	(39,222)
Prepaid expenses	(81,067)	(392,273)
Accounts payable and accrued liabilities	2,089,883	(1,116,780)
Other long-term liabilities	17,985	(863,340)
	<u>7,271,135</u>	<u>(736,837)</u>
<b>Investing activities</b>		
Decrease in investments	54,999	24,249
Distribution from joint venture	47,466	36,409
	<u>102,465</u>	<u>60,658</u>
<b>Financing activities</b>		
Payments of bank loans	(1,133,579)	(1,106,892)
Increase in deferred contributions related to expenditures of future periods	784,549	81,070
	<u>(349,030)</u>	<u>(1,025,822)</u>
<b>Capital</b>		
Deferred contributions related to capital assets	3,263,546	2,182,328
Purchase of capital assets	(7,607,808)	(4,270,367)
	<u>(4,344,262)</u>	<u>(2,088,039)</u>
<b>Increase (decrease) in cash resources during the year</b>	<b>2,680,308</b>	<b>(3,790,040)</b>
<b>Cash, beginning of year</b>	<b>6,198,904</b>	<b>9,988,944</b>
<b>Cash, end of year</b>	<b>\$ 8,879,212</b>	<b>\$ 6,198,904</b>

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

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# Bluewater Health Notes to Financial Statements

March 31, 2020

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## 1. Summary of Significant Accounting Policies

### Nature of Business

Bluewater Health is an accredited community-based health care facility, offering a full range of acute, mental health, emergency, ambulatory, rehabilitation and continuing care services to the residents of Lambton County. The hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

### 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 ("PSAS for Government NPOs"). The Bluewater Health Foundation is a separate entity whose financial information is reported separately from the Hospital.

### Management Estimates

The preparation of financial statements in conformity with PSAS for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts, quality based procedures revenue earned and actuarial estimation of post-employment benefits liabilities.

### Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include 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 Erie St. Clair Local Health Integration Network ("LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2020 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.

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# Bluewater Health Notes to Financial Statements

March 31, 2020

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## 1. Summary of Significant Accounting Policies (continued)

### Revenue Recognition (continued)

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 a subsequent period.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in net assets.

Revenue from patients is recognized as revenue when the service is provided.

### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and are not for resale.

### Interest in Joint Venture

The Hospital's interest in the joint venture, CBI Sarnia Limited Partnership, has been accounted for using the modified equity method. Under this method, the Hospital takes into earnings and reflects in its investment account its share of the income or loss for the latest fiscal period of the partnership prior to the Hospital's year end.

### Investment in Subsidiary Company

The investment in 876756 Ontario Limited is accounted for using the modified equity method. The company was incorporated to hold shares in Lambton ProResp Inc., a company primarily engaged in providing home respiratory care services and products.

### Investment Income

Investment income on unspent deferred contributions, if restricted for future income use, is deferred as a component of such contributions. All other investment income is recognized as revenue when earned.

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# Bluewater Health Notes to Financial Statements

March 31, 2020

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## 1. Summary of Significant Accounting Policies (continued)

### 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 to use.

Capital assets are stated at cost and amortized on a straight-line basis over their estimated useful lives, at the rates recommended by the Management Information System Guidelines issued by the Ministry of Health and Long-Term Care:

Land improvements	- 10 - 25 years
Buildings	- 20 - 40 years
Equipment	- 3 - 20 years

### Post-Employment Benefits

The Hospital provides post-employment benefits to certain employee groups. These benefits include health, dental and life insurance. 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 service 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 discount rate used in the determination of the above mentioned liabilities is equal to the Hospital's internal rate of borrowing.

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# Bluewater Health Notes to Financial Statements

March 31, 2020

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## 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 equity investments.

They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

### **Amortized cost**

This category includes short-term investments, accounts receivable, investments in GICs, bank loans, accounts payable, and other long-term 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.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

### **Donated Materials and Services**

Donated services are not recorded in the financial statements. Donated 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.

### **Loan Guarantees**

The hospital has guaranteed various loans for physicians and loans and leases for TransForm. When it is determined that a loss is likely, a provision for loss is recorded. The provision is determined using the best estimates available and taking into consideration the principal amount outstanding, any guaranteed accrued and unpaid interest, any amounts recoverable from the borrower and from the sale of assets pledged as security, and all known circumstances. The provision for loan losses is reviewed by management on an annual basis.

## Bluewater Health Notes to Financial Statements

**March 31, 2020**

### 2. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2020		
	Fair Value	Amortized Cost	Total
Cash	\$ 8,879,212	\$ -	\$ 8,879,212
Short-term investments	-	246,852	246,852
Accounts receivable	-	5,010,234	5,010,234
Investments	690,480	-	690,480
Bank loans	-	1,835,935	1,835,935
Accounts payable and accrued liabilities	-	22,981,661	22,981,661
Other long-term liabilities	-	652,030	652,030

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			Total
	Level 1	Level 2	Level 3	
Cash	\$ 8,879,212	\$ -	\$ -	\$ 8,879,212
Investments	-	690,480	-	690,480
<b>Total</b>	<b>\$ 8,879,212</b>	<b>\$ 690,480</b>	<b>\$ -</b>	<b>\$ 9,569,692</b>

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020. There were also no transfers in or out of Level 3.

## Bluewater Health Notes to Financial Statements

**March 31, 2020**

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### 3. Cash

The Hospital's bank accounts are maintained at one chartered bank. The bank accounts earn interest from 1.25% to 2.00%.

The Hospital has a demand operating credit facility that bears interest at the bank's prime rate minus 1.00%. The amount available under the credit facility was \$12,000,000 at March 31, 2020. The amount utilized under the facility at March 31, 2020 was \$NIL (2019 - \$Nil). Included in cash is \$1,589 (2019 - \$40,139) denominated in U.S. currency.

### 4. Short-term Investments

Short-term investments are comprised of guaranteed investment certificates of \$246,852 (2019 - \$549,516). These investments are recorded at amortized cost, with an interest rate of 1.6%.

### 5. Interest in Joint Venture

	2020	2019
CBI Sarnia Limited Partnership		
83 of 443 Class A Limited Partnership units	\$ 64,063	\$ 65,758

The Hospital's proportionate share of the assets, liabilities, revenue and expense of the partnership for the year ended December 31 is as follows:

	2019	2018
Assets	\$ 86,524	\$ 71,557
Liabilities	14,391	12,522
Revenue	298,359	313,612
Expenses	252,588	266,896
Cash distributions	47,466	36,409

## Bluewater Health Notes to Financial Statements

**March 31, 2020**

### 6. Investment in Subsidiary Company

	2020	2019
876756 Ontario Limited - 1 common share	\$ 304,053	\$ 346,758

A financial summary of 876756 Ontario Limited's 50% share of Lambton ProResp Inc. for the year ended March 31, 2020 is as follows:

	2020	2019
Assets	\$ 535,822	\$ 613,039
Liabilities	227,323	268,068
Shareholder equity	308,499	344,972
Net income	(42,705)	2,945

During the year a management fee of \$314,000 (2019 - \$398,000) was earned from Lambton ProResp Inc., the company whose shares are owned 50% by 876756 Ontario Limited and is recorded in other revenue.

### 7. Investments

	2020	2019
Fair value	\$ 690,480	\$ 745,479

#### Fair value investments

	2020			2019	
	Cost	Unrealized Gain	Carrying Value	Cost	Carrying Value
Mutual funds	\$ 727,838	\$ (37,358)	\$ 690,480	\$ 727,838	\$ 745,479

The fair values of the investments are based on quoted market values.

## Bluewater Health Notes to Financial Statements

March 31, 2020

### 8. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 4,813,646	\$ -	\$ 4,813,646	\$ -
Land improvements	2,632,163	2,179,677	2,632,163	2,087,856
Buildings	320,615,053	115,682,413	320,245,924	106,222,136
Equipment	97,929,203	73,351,649	93,014,487	69,265,636
Construction in progress	1,522,653	-	1,419,972	-
	<b>\$ 427,512,718</b>	<b>\$ 191,213,739</b>	<b>\$ 422,126,192</b>	<b>\$ 177,575,628</b>
Net book value		<b>\$ 236,298,979</b>		<b>\$ 244,550,564</b>

### 9. Bank Loans

	2020	2019
Demand loan, 2.38%, repayable in blended monthly payments of principal and interest of \$53,084, matures March 2022	\$ 1,242,955	\$ 1,842,616
Demand loan, 2.39%, repayable in blended monthly payments of principal and interest of \$46,252, matures April 2021	592,980	1,126,898
	<b>\$ 1,835,935</b>	<b>\$ 2,969,514</b>

### 10. Post-Employment Benefits

The Hospital provides extended health care, dental and life insurance benefits to substantially all employees. As part of a restructuring plan, post-employment benefits were provided to employees accepting retirement packages. The Hospital also pays the premiums for health and dental benefits of Service Employees International Union (SEIU) members that retired after March 4, 2006, from the date of retirement until the employee reaches the age of 65. ONA members retiring after April 1, 2011 pay 50% of health premiums until the employee reaches the age of 65.

Information about the Hospital's accrued benefit obligation relating to its post-employment benefit plan as at March 31, 2020, is as follows.

	2020	2019
Accrued benefit obligation	\$ 11,606,300	\$ 10,908,700
Unamortized actuarial gain	3,663,100	4,544,200
	<b>\$ 15,269,400</b>	<b>\$ 15,452,900</b>

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## Bluewater Health Notes to Financial Statements

**March 31, 2020**

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### 10. Post-Employment Benefits (continued)

Information about the hospitals' health care, dental and life insurance is as follows:

Accrued benefit liability as at March 31, 2019	\$ 15,452,900
Current service cost	574,000
Interest cost	334,400
Amortization of past service costs	-
Amortization of actuarial experience gain	(275,100)
Estimated benefits paid	(816,800)
	<hr/>
Estimated benefit liability as at March 31, 2020	<b>\$ 15,269,400</b>

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

Discount rate - accrued benefit obligation	3.02%
Discount rate - benefit cost	3.25%
Dental and hospital benefits escalation	4.55%
Medical benefits cost escalation - prescription drugs	4.10%

The most recent actuarial valuation was performed as at March 31, 2020. Included in employee benefits on the statement of operations is an amount of \$451,954 (2019 - \$429,431) regarding employee future benefits.

## Bluewater Health Notes to Financial Statements

**March 31, 2020**

### 11. Deferred Contributions

#### (a) Expenditures of future periods

Deferred contributions related to expenditures of future periods represent unspent donations and unspent Ministry of Health and Long-Term Care funding for capital assets.

	2020	2019
Balance, beginning of year	\$ 2,016,551	\$ 1,935,481
Amount received	4,073,618	2,382,084
Capital assets purchased	<u>(3,289,069)</u>	<u>(2,301,014)</u>
Balance, end of year	<u>\$ 2,801,100</u>	<u>\$ 2,016,551</u>

#### (b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for capital assets that have been acquired. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2020	2019
Balance, beginning of year	\$ 209,743,198	\$ 218,935,119
Contributions received	3,289,069	2,196,428
Adjustments	(25,523)	(14,100)
Less: amounts amortized to revenue	<u>(11,566,081)</u>	<u>(11,374,249)</u>
Balance, end of year	<u>\$ 201,440,663</u>	<u>\$ 209,743,198</u>

### 12. Net Assets Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 236,298,979	\$ 244,550,564
Amounts financed by:		
Deferred contributions	(201,440,663)	(209,743,198)
Demand bank loans	<u>(1,835,935)</u>	<u>(2,969,514)</u>
	<u>\$ 33,022,381</u>	<u>\$ 31,837,852</u>

### 13. Net Assets Internally Restricted

The Board of Directors has restricted the use of \$1,142,150 (2019 - \$808,725) for the purchase of capital assets at the Charlotte Eleanor Englehart Hospital of Bluewater Health.

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## Bluewater Health Notes to Financial Statements

March 31, 2020

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### 14. Pension Plan

Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 381,000 active and retired members and approximately 594 employers. Each year an independent actuary determines the funding status of HOOPP (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan for accounting purposes was completed at December 31, 2019. The audited financial statements of the Plan at December 31, 2019 disclose a net assets value of \$87,181 million with accrued going concern liabilities relating to pension obligations of \$73,547 million, resulting in a going concern surplus of \$13,634 million.

Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital and employees to HOOPP during the year amounted to \$8,400,344 (2019 - \$8,138,673) and \$6,666,940 (2019 - \$6,459,264) respectively.

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### 15. Contingent Liabilities

The Hospital is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at March 31, 2020 as litigation is still in progress. The Hospital's management is of the opinion that the Hospital has adequate insurance coverage to offset the amount of the majority of claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

Various physicians of the organization are issued loans directly through the bank whereby the Hospital pays the interest and is the guarantor. The amount of the loans guaranteed is \$3,305,668 (2019 - \$3,416,388).

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### 16. Commitments

The Hospital is proceeding with a redevelopment plan for the Charlotte Eleanor Englehart hospital site. A commitment was made by the Ministry of Health and Long-Term Care in that the Ministry will fund \$7,478,730 of the total estimated project costs of \$8,134,759. Funding will be tied to the Ministry approval at multiple phases of the project as per the Ministry process. As at March 31, 2020, the hospital had received \$1,121,820 (2019 - \$1,121,820) from the Ministry for the project which is included in deferred contributions related to expenditures of future periods. As at March 31, 2020, the hospital had spent \$666,048 (2019 - \$579,364) which is included in construction in progress.

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## Bluewater Health Notes to Financial Statements

March 31, 2020

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### 17. Economic Interest

The Hospital has an economic interest in the Bluewater Health Foundation (the Foundation). The objectives of the Foundation are the enhancement and improvement of services and patient care provided by Bluewater Health and the funding of the capital commitments of Bluewater Health.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (i) an amount of \$1,164,055 (2019 - \$1,512,475) was receivable from the Foundation.
- (ii) the Foundation receives the following materials and services from the Hospital at no cost to the Foundation: Office space and cleaning services; computer support; and telephone service.
- (iii) the Hospital received donations of \$2,175,575 (2019 - \$1,116,328) from the Foundation, of which \$2,138,247 (2019 - \$1,091,970) has been recorded in deferred contributions and \$37,328 (2019 - \$24,358) in donation revenue.

The Hospital also has an economic interest in the Charlotte Eleanor Englehart Hospital Foundation. The objectives of the Charlotte Eleanor Englehart Hospital Foundation are the improvement and enhancement of services and patient care provided by Charlotte Eleanor Englehart Hospital of Bluewater Health. An amount of \$Nil (2019 - \$Nil) was receivable from the Charlotte Eleanor Englehart Hospital Foundation at March 31, 2020.

All transactions between the Hospital and the Foundations are recorded at fair value.

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### 18. Shared Service Organizations

#### TransForm Shared Service Organization

TransForm has an information management/IT division as well as a supply chain management division. TransForm reports to an independent board which is made up of voting members from the five participating hospitals as well as four independent board directors from within the Erie St. Clair Local Health Integration Network ("ESC LHIN") geographic area. Annual operating expenses for the two divisions of TransForm are allocated between the hospitals based on metrics that evaluate the amount of Information management/IT and supply chain management used by each hospital.

Bluewater Health contributes towards approved capital improvements and other costs incurred by TransForm.

TransForm currently carries two operating lines of credit that total \$1,300,000 through a chartered bank. Bluewater Health guarantees a portion of these operating lines of credit. The balance outstanding on these lines of credit as at March 31, 2020 was \$Nil (2019 - \$Nil).

At March 31, 2020 an amount of \$7,989 (2019 - \$15,420) was payable to TransForm.

# Bluewater Health Notes to Financial Statements

March 31, 2020

## 18. Shared Service Organizations (continued)

Bluewater Health has also issued lease guarantees. The outstanding balances of the leases was \$2,525,727 as at March 31, 2020 (2019 - \$2,612,857) of which the hospital's portion was \$48,525 (2019 - \$133,451).

### (a) Information Management/Information Technology division

TransForm provides information management services to all five hospitals within the ESC LHIN which includes Bluewater Health. This service is provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business. TransForm provides information management services to other organizations, which is based on a fee by project basis.

During the year, Bluewater Health incurred expenses to TransForm relating to information management services for loan/lease costs, infrastructure and project costs and monthly operating expenses. The total costs were \$1,433,711 (2019 - \$1,503,335) and are included in the statement of operations or reflected in the statement of financial position.

### (b) Supply Chain Management division

TransForm provides procurement, logistics and contract management services to all five hospitals within the ESC LHIN which includes Bluewater Health. This service is provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business.

During the year, Bluewater Health paid \$915,209 (2019 - \$920,904) to TransForm for supply chain management services that are included in expenses on the statement of operations.

## 19. Diabetes Program

The hospital receives funding from the Local Health Integration Network ("LHIN") to run a diabetes program. The revenue and expenses related to the program are as follows:

	Adult Diabetes	Pediatric Diabetes	Total
<b>Revenue</b>			
LHIN funding	\$ 281,913	\$ 61,594	\$ 343,507
<b>Expense</b>			
Salaries and benefits	252,047	49,222	301,269
Operating	33,009	12,505	45,514
	<b>285,056</b>	<b>61,727</b>	<b>346,783</b>
<b>Excess of revenue over expense</b>	<b>\$ (3,143)</b>	<b>\$ (133)</b>	<b>\$ (3,276)</b>

# Bluewater Health Notes to Financial Statements

March 31, 2020

## 20. 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, debt holdings in its investment portfolio and accounts receivable. The Hospital holds its cash accounts with a federally regulated chartered bank.

The Hospital's investment policy operates within the constraints of the investment guidelines issued by MOHLTC in relation to funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits and bond quality limits.

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. The amounts outstanding at year end were as follows:

	Total	<i>Past Due</i>			
		Current	31-60 days	61-90days	91-120 days
OHIP	\$ 1,138,811	\$ 1,138,811	\$ -	\$ -	\$ -
MOH/LHIN	-	-	-	-	-
Cancer Care	330,300	330,300	-	-	-
Patient services	900,181	551,727	324,515	23,939	-
Bluewater Health Foundation	1,164,055	81,401	90,000	992,654	-
Other	1,476,887	1,454,680	2,948	-	19,259
<b>Total receivables</b>	<b>\$ 5,010,234</b>	<b>\$ 3,556,919</b>	<b>\$ 417,463</b>	<b>\$ 1,016,593</b>	<b>\$ 19,259</b>

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.

## Bluewater Health Notes to Financial Statements

March 31, 2020

### 20. 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. The following table sets out the contractual maturities (representing undiscounted contractual cash-flow of financial liabilities):

	2020			
	within 6 months	6 months to 1 year	1-5 years	> 5 years
Bank loans	\$ 576,998	\$ 583,912	\$ 675,025	\$ -
Accounts payable and accrued liabilities	12,358,298	10,147,806	475,558	-
Other non-current liabilities	-	-	652,030	-
	<b>\$ 12,935,296</b>	<b>\$ 10,731,718</b>	<b>\$ 1,802,613</b>	<b>\$ -</b>

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.

### 21. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Hospital, its funding, supply chain, and capital project timelines. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce. As a result, management anticipates hospital occupancy to be reduced to prepare for pandemic response, non-essential surgeries to be deferred, and for there to be continued delays in the supply chain. In addition, if the impacts of COVID-19 continue there could be further impact on the Hospital and its patients, suppliers and other third party business associates that could impact the timing of and amounts realized on the Hospital's financial statements. At this time, the full potential impact of COVID-19 on the Hospital is not known.