Financial Statements of

ONGWANADA HOSPITAL

Year ended March 31, 2020

ONGWANADA HOSPITAL

Financial Statements
Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Ongwanada Hospital

Opinion

We have audited the financial statements of Ongwanada Hospital (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- 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

Kingston, Canada

(date)

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ONGWANADA HOSPITAL

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 7,392,598	$ 8,670,817
Accounts receivable (note 2)	1,436,643	698,185
Prepaid expenses	300,665	125,829
Inventories	205,323	166,492
	9,335,229	9,661,323
Restricted assets:		
Patient safekeeping accounts		
Cash	124,419	100,727
Due from general account	72,242	1,196
	196,661	101,923
Capital assets (note 3)	9,949,212	9,038,234
Due from (to) Ongwanada Non-Profit Housing Corporation (note 9(a))	7,025	(16,616)
	$ 19,488,127	$ 18,784,864

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	2020	2019

Liabilities, Deferred Contributions and Net Assets

	2020	2019
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 5,273,558	$ 3,768,279
Payable to Province of Ontario	8,612	8,612
Deferred revenue	163,498	358,157
Due to patient safekeeping account	72,242	1,196
	5,517,910	4,136,244
Employee future benefits liability (note 5)	7,816,400	7,946,900
Patients' safekeeping accounts:		
Balances held in trust	196,661	101,923
Deferred capital contributions (note 6)	5,900,173	6,312,339
Net assets:		
Invested in capital assets (note 7(a))	4,049,039	2,725,895
Internally restricted	164,987	169,987
Unrestricted deficiency	(4,157,043)	(2,608,424)
	56,983	287,458
Contingent liabilities (note 10)		
Subsequent event (note 13)		
	$ 19,488,127	$ 18,784,864

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Member

_______________________________ Member

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ONGWANADA HOSPITAL

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Responsibility of Ministry of Community and Social Services General programs	Responsibility of hospital	Plant and endowment fund	2020 Total	2019 Total
Revenue:					
Patient services:					
Approved funding	$ 37,685,296	$ –	$ –	$ 37,685,296	$ 33,825,899
Other patient revenue	1,677,119	–	–	1,677,119	1,574,899
Offset revenue and recoveries:					
Community residential services	657,068	–	–	657,068	404,463
Client and community services - environmental support	1,138,745	–	–	1,138,745	946,510
General administration	41,628	–	–	41,628	54,365
Community health services	–	1,667,283	–	1,667,283	1,943,656
Interest	25,573	–	143,203	168,776	171,916
Donations	–	–	18,925	18,925	10,627
Amortization of deferred capital contributions (note 6)	–	–	442,841	442,841	503,846
Other income	31,221	59,200	–	90,421	168,115
	41,256,650	1,726,483	604,969	43,588,102	39,604,296
Expenses:					
Developmental care:					
Community residential services (schedule A)	19,066,270	–	–	19,066,270	18,403,509
Client and community services - environmental support (schedule B)	19,503,352	–	–	19,503,352	15,877,581
General administration (schedule C)	2,677,715	–	–	2,677,715	2,679,118
Community health services (schedule B)	–	2,012,205	–	2,012,205	1,914,828
Amortization of capital assets	–	–	553,804	553,804	690,715
Change in vacation pay liability	–	95,131	–	95,131	(11,878)
Change in sick pay liability	–	–	–	–	(7,974)
Other expense	–	40,600	–	40,600	39,799
	41,247,337	2,147,936	553,804	43,949,077	39,585,698
Excess (deficiency) of revenue over expenses	$ 9,313	(421,453)	51,165	$ (360,975)	$ 18,598

See accompanying notes to financial statements.

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ONGWANADA HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Invested in capital assets	Internally restricted	Unrestricted	2020 Total	2019 Total
Balance (deficiency), beginning of year	$ 2,725,895	$ 169,987	$ (2,608,424)	$ 287,458	$ 489,160
Excess (deficiency) of revenue over expenses (note 7(b))	(110,963)	(5,000)	(245,012)	(360,975)	18,598
Net change in investment in capital assets (note 7(b))	1,434,107	–	(1,434,107)	–	–
Change in employee future benefits liability (note 5)	–	–	130,500	130,500	(220,300)
Balance (deficiency), end of year	$ 4,049,039	$ 164,987	$ (4,157,043)	$ 56,983	$ 287,458

See accompanying notes to financial statements.

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ONGWANADA HOSPITAL

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (360,975)	$ 18,598
Items not involving cash:		
Amortization of deferred capital contributions	(442,841)	(503,846)
Amortization of capital assets	553,804	690,715
Loss on disposal of capital assets	–	–
Change in non-cash operating working capital:		
Accounts receivable	(738,457)	117,695
Due to (from) Ongwanada Non-Profit Housing Corporation	(23,641)	171,929
Prepaid expenses	(174,836)	(41,939)
Inventories	(38,831)	(11,042)
Accounts payable and accrued liabilities	1,505,278	398,399
Payable to Province of Ontario	–	1,651
Deferred revenue	(194,659)	(110,867)
Due from patient safekeeping account	71,046	13,525
	155,888	744,818
Financing activities:		
Increase in deferred capital contributions	30,675	531,693
Investing activities:		
Additions to capital assets	(1,464,782)	(680,633)
Increase (decrease) in cash and cash equivalents	(1,278,219)	595,878
Cash and cash equivalents, beginning of year	8,670,817	8,074,939
Cash and cash equivalents, end of year	$ 7,392,598	$ 8,670,817

See accompanying notes to financial statements.

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Ongwanada Hospital (the "Organization") was incorporated without share capital under the Ontario Corporations Act on November 23, 1945. The Organization is principally involved in providing support services to citizens with development disabilities in the rural and urban communities of South Eastern Ontario. The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by the Ministry of Community and Social Services (the "Ministry"). 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 that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2020.

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 recognized. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Other patient revenue is recognized when the goods are sold or the service is provided.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(c) Contributed services:

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

(d) Inventories:

Inventories are valued at the lower of cost and replacement cost.

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense as incurred. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and its components	2.5%
Furniture and equipment	20%
Vehicles	10%

The costs incurred for major capital projects are classified separately as construction-in-progress until the project is complete. When complete, the costs are transferred to the appropriate capital asset category.

(f) Compensated absences:

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Organization's benefit plans for vacation and sick leave.

(g) Employee future benefits:

The Organization uses the immediate recognition approach to account for its defined benefit plans. The Organization accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the non-pension post-retirement benefits. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. The measurement date of the accrued benefit obligation coincides with the Organization's fiscal year. Actuarial gains (losses) that arise from changes in actuarial assumptions used to determine the accrued benefit obligation are recognized in the statement of changes in net assets.

The Organization is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2019 disclosed actuarial assets of $94,102 million with accrued pension liabilities of $73,547 million, resulting in a surplus of $20,555 million. This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2019 based on the assumptions and methods adopted for the valuation.

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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 year. Actual results could differ from those estimates.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to subsequently carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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

2. Accounts receivable:

	2020	2019
Trade	$ 568,210	$ 392,275
Harmonized sales tax	227,797	129,827
Copayment	154,541	156,423
Other	609,210	142,775
	1,559,758	821,300
Less: allowance for doubtful accounts	123,115	123,115
	$ 1,436,643	$ 698,185

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3. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	$ 911,723	$ –	$ 911,723	$ 911,723
Buildings and its components	18,508,698	9,835,663	8,673,035	7,473,698
Furniture and equipment	3,589,030	3,412,036	176,994	166,757
Vehicles	1,294,920	1,107,460	187,460	233,167
Construction-in-progress	–	–	–	252,889
	$ 24,304,371	$ 14,355,159	$ 9,949,212	$ 9,038,234

Cost and accumulated amortization of capital assets at March 31, 2020 amounted to $22,839,674 and $13,804,440, respectively.

Capital assets have been reviewed for full or partial impairment and management has determined there are none.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $316,282 (2019 - $381,429), which includes amounts payable for harmonized sales tax and payroll-related taxes.

5. Employee future benefits:

The Organization provides extended health care, dental and life insurance benefits to its employees. An independent actuarial study of the employee future benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at March 31, 2020.

At March 31, 2020, the Organization's accrued benefit obligation relating to post-retirement benefit plans is $7,816,400 (2019 - $7,946,900).

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

Discount rate for calculation of accrued benefit obligation	3.20% per annum
Discount rate for calculation of net benefit costs	3.70% per annum
Salary escalation	2.50% per annum
Dental benefits escalation	2.75% per annum
Health benefits escalation	6.00% in 2019, decreasing by 0.25% per year to an ultimate rate of 4.50%

5. Employee future benefits (continued):

Information with respect to the Organization's post-retirement obligations is as follows:

	2020	2019
Accrued benefit obligation, beginning of year	$ 7,946,900	$ 7,726,600
Expense recognized for the year	570,000	559,000
Benefits paid for the year	(193,000)	(499,200)
Actuarial experience loss (gain) recognized	(507,500)	160,500
Accrued benefit obligation, end of year	$ 7,816,400	$ 7,946,900

6. Deferred capital contributions:

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

	2020	2019
Balance, beginning of year	$ 6,312,339	$ 6,284,492
Additional contributions received	30,675	531,693
Less amortization of deferred capital contributions	(442,841)	(503,846)
Balance, end of year	$ 5,900,173	$ 6,312,339

7. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	$ 9,949,212	$ 9,038,234
Amounts financed by:		
Deferred contributions	(5,900,173)	(6,312,339)
	$ 4,049,039	$ 2,725,895

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7. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

		2020		2019
Excess of revenue over expenses:				
Amortization of deferred capital contributions	$	442,841	$	503,846
Amortization of capital assets		(553,804)		(690,715)
	$	(110,963)	$	(186,869)
Net change in investment in capital assets:				
Purchase of capital assets	$	1,464,782	$	680,633
Amounts funded by deferred contributions		(30,675)		(531,693)
	$	1,434,107	$	148,940

8. Pension plan:

Substantially all of the employees of the Organization are members of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay

Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to $1,756,024 (2019 - $1,702,673) and are included in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan’s 2019 Annual Report indicates the plan is fully funded at 119%.

9. Related entities:

(a) Ongwanada Non-Profit Housing Corporation:

The Organization currently controls Ongwanada Non-Profit Housing Corporation (the “Housing Corporation”) by virtue of having common board members. The Board members of the Housing Corporation are also the Executive Committee members of the Organization’s Board. In addition, general members of the Housing Corporation are board members of the Organization. The Housing Corporation is incorporated without share capital under the laws of Ontario to provide non-profit housing services and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

9. Related entities (continued):

(a) Ongwanada Non-Profit Housing Corporation (continued):

The Housing Corporation has not been consolidated in the Organization's financial statements. Financial statements of the Housing Corporation are available upon request. Financial summaries of this unconsolidated entity as at March 31, 2020 and March 31, 2019, and for the years ended March 31, 2020 and March 31, 2019, are as follows:

	2020	2019
Assets:		
Current	$ 34,699	$ 18,345
Replacement reserve fund	144,316	123,631
Capital assets	1,948,386	2,074,745
	2,127,401	2,216,721
Liabilities and fund balance:		
Current	168,338	257,720
Long-term	1,814,746	1,835,370
Replacement reserve fund	144,317	123,631
	2,127,401	2,216,721
Net assets	$ –	$ –

The amount owing to the Organization is composed of $21,064 (2019 - $28,775) owing from the replacement reserve fund and $28,089 (2019 - $12,159) included in current liabilities.

	2020	2019
Revenue	$ 516,057	$ 586,273
Expense	516,057	586,273
Excess of revenue over expense	$ –	$ –

	2019	2018
Cash flows provided by (used in):		
Operating activities	$ 125,916	$ 119,685
Financing and investing activities	(125,916)	(119,685)
Increase in cash	$ –	$ –

9. Related entities (continued):

(a) Ongwanada Non-Profit Housing Corporation (continued):

The Housing Corporation follows an appropriate disclosed basis of accounting, under which the following accounting policies differ from those followed by the Organization:

(i) Amortization of building and equipment is provided at an amount equivalent to the principal repayment of debt rather than being amortized over their useful lives.

(ii) Capital assets purchased after initial project construction are reported as direct expenses of the replacement reserve fund rather than being capitalized on the statement of financial position and amortized over their useful life.

(iii) Transfers to the replacement reserve fund are accounted for on the statement of operations, rather than as an interfund transfer on the statement of changes in net assets.

The Organization enters into transactions with the Housing Corporation in the normal course of operations.

The Organization leases certain residential properties from the Housing Corporation on a month-to-month basis. These properties are sublet to clients receiving support services from the Organization on the same terms and conditions.

The Organization provides project management and maintenance services to the Housing Corporation. In return for these services the Housing Corporation paid fees of $67,620 (2019 - $67,620) to the Organization.

During the year, the Organization provided temporary financing to the Housing Corporation to offset cash flow delays related to the timing of receipt of operating grants from the Ministry of Community and Social Services. At March 31, 2020, a balance of $7,025 was receivable from the Housing Corporation (2019 - $16,616 payable from the Housing Corporation) and is reported on the statement of financial position. The balance has no fixed terms of repayment, is unsecured and is non-interest bearing.

(b) Kingston Regional Hospital Laundry Incorporated:

Kingston Regional Hospital Laundry Incorporated, a corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms and other related laundry services to five hospitals in the Kingston region. The Organization exercises significant influence, but not control, over Kingston Regional Hospital Laundry Incorporated.

Kingston Regional Hospital Laundry Incorporated provides laundry services to the Organization based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business relating to the provision of laundry services. The Organization contributes toward approved capital improvements and replacement costs incurred by Kingston Regional Hospital Laundry Incorporated. During the year, the Organization paid $8,944 (2019 - $9,359) to Kingston Regional Hospital Laundry Incorporated for laundry services.

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9. Related entities (continued):

(c) Ongwanada Auxiliary:

The Organization has an economic interest in Ongwanada Auxiliary. Ongwanada Auxiliary promotes and extends the interests of the Organization through the provision of volunteer auxiliary services and raising funds for the Organization. At March 31, 2020, the Organization owed the Ongwanada Auxiliary $28,315 (2019 - $30,918) and is included in accounts payable and accrued liabilities on the Statement of Financial Position. The balance owing is unsecured, bears interest at the bank's prime rate minus 1% and has no fixed terms of repayment.

10. Contingent liabilities:

(a) Reciprocal:

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivables from HIROC as of March 31, 2020.

(b) Pay equity:

An agreement has been reached on a new pay equity plan, incorporating a mutually agreed-upon job evaluation system, covering all Organization employees. The costs arising from maintaining this agreement have been recognized in the financial statements.

(c) General:

The nature of the Organization's activities is such that there may be litigation pending at any time. With respect to claims at March 31, 2020 against the Organization, management believes there are valid defenses and appropriate insurance coverages in place. In the event any claims specifically are successful, management believes that such claims are not expected to have a material effect on the financial position of the Organization.

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11. Financial risk and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2019.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in an allowance for doubtful accounts (note 2).

12. Changes in accounting policies:

In March 2018, the Accounting Standards Board issued *"Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations"* resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for- Part III of the Handbook as follows:

A. *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property Plant and Equipment* in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

B. *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

12. Changes in accounting policies:

C. *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the Statement of Financial Position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at April 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

13. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Organization; and
- The implementation of working from home requirements for certain employees.

As a result of these measures, the Hospital continues to experience decreases in non-funding revenues and increases in operating costs in the subsequent period. The Ministry has committed to providing additional funding for COVID-related operating costs in the subsequent period.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

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ONGWANADA HOSPITAL

Expenses of Developmental Care (Community Residential Services) SCHEDULE A

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
High support - 24 hour nursing:		
Barclay	$ 1,434,599	$ 1,151,726
Elizabeth	1,096,399	1,175,222
High support:		
Baxter	851,654	960,533
Sydenham	1,128,032	1,087,865
James	793,584	838,043
Respite:		
Wilson	290,029	240,521
Out of home	455,644	295,631
Low support:		
Dundas	10,127	10,794
Seaforth	635,395	647,372
Inverness	690,759	680,184
Douglas	674,710	687,949
Montreal North	686,458	697,228
Aberfoyle	863	1,186
Portsmouth	580,465	581,209
Montreal South	779,265	639,620
Mulcaster	616,822	627,540
Prince Charles	653,112	674,782
Richard	703,859	709,222
Church	793,608	798,144
Robinson	665,352	680,928
Cunningham	632,711	671,333
Henry	698,640	627,568
McKeown	740,566	669,701
Henrietta	30,568	10,682
Grosvenor	683,474	693,874
Muirfield	662,015	663,641
Mowat	709,749	652,141
Residential administration and support:		
Administration	623,258	505,749
Scheduling	306,281	305,576
Transportation	438,272	417,545
	$ 19,066,270	$ 18,403,509

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ONGWANADA HOSPITAL

Expenses of Developmental Care (Client and Community Services, Environmental Support)

SCHEDULE B

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Housekeeping	$ 368,030	$ 399,083
Laundry and linen	8,944	9,359
Maintenance - Resource Centre	1,761,552	1,548,436
Maintenance - Crescent Centre	89,274	57,534
Maintenance - Balsam Grove	88,638	38,641
Adult protective services	414,524	180,264
Home share	1,348,360	1,478,965
Continuing education	1,118,625	1,110,974
Client services, administration	79,306	73,514
Chaplaincy	71,955	63,261
Medical associates	270,319	257,669
Radiology *	184,632	174,690
Clinical lab	41,190	37,574
Cytogenetics	122,274	120,915
Pharmacy *	1,827,573	1,740,138
Clinical services	953,910	965,364
Hydrotherapy	205,487	210,116
Crescent community services	1,473,555	1,467,961
Psychology	526,368	469,003
Behavior management	407,932	395,430
Social services	398,007	408,671
Volunteer services	48,540	49,405
Client facilitation	455,242	436,301
Planning and vocational services	152,925	143,376
Data analytics	241,096	225,973
Clinical records	230,382	208,011
Joint service agreements	3,952,458	1,497,193
Dietary	478,778	428,640
Community network of specialized care	464,336	421,315
Treatment home	1,327,642	1,264,245
Gore Road complex care home	1,159,658	1,246,938
Haig Road complex care home	1,244,045	663,450
	$ 21,515,557	$ 17,792,409

*Effective April 1, 2016, Pharmacy & Radiology were excluded from Ministry responsibility

	2020	2019
Responsibility of Ministry of Community & Social Services	$ 19,053,352	$ 15,877,581
Responsibility of Board	2,012,205	1,914,828
	$ 21,515,557	$ 17,792,409

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ONGWANADA HOSPITAL

Expenses of Developmental Care (General Administration)

SCHEDULE C

Year ended March 31, 2020, with comparative information for 2019

		2020		2019
Administration	$	605,324	$	585,722
Financial services		454,273		592,137
Human resources		623,475		588,187
Occupational health and safety		219,677		204,725
Support services		384,619		341,383
Management information system		390,347		366,964
	$	2,677,715	$	2,679,118

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