

North Shore Health Network

Financial Statements

Year ended March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the North Shore Health Network ("NSHN") are the responsibility of NSHN's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for government not-for-profit organizations established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to these financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

NSHN's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by NSHN. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on NSHN's financial statements.



Chairperson, Board of Trustees



President & Chief Executive Officer

May 26, 2020

Date

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the North Shore Health Network

Opinion

We have audited the financial statements of **North Shore Health Network**, which comprise the statement of financial position as at **March 31, 2020**, and the statements of operations, remeasurement gains and losses, changes in net assets, and cash flows 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 the North Shore Health Network as at **March 31, 2020**, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the North Shore Health Network 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the North Shore Health Network's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Shore Health Network's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the North Shore Health Network'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 the North Shore Health Network 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.

FREELANDT CALDWELL REILLY LLP



Chartered Professional Accountants
Licensed Public Accountants

Espanola, Ontario
May 26, 2020

NORTH SHORE HEALTH NETWORK
Statement of Financial Position
March 31, 2020 with comparative figures for 2019

	2020 \$	2019 \$ (Restated - note 7)
Assets		
Current		
Cash	2,135,447	2,297,801
Accounts receivable	732,918	871,937
Inventories	259,024	230,612
Prepaid expenses	109,257	94,921
	3,236,646	3,495,271
Portfolio investments (note 3)	2,254,396	2,239,606
Capital assets (note 4)	13,485,667	13,977,956
Construction in progress	4,111	243,703
	18,980,820	19,956,536
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,619,772	3,018,348
Post-employment benefits obligation (note 7)	808,929	827,930
Loan payable (note 8)	100,000	-
Deferred contributions for capital assets (note 9)	8,135,629	8,519,459
	11,664,330	12,365,737
Net Assets		
Invested in capital assets (note 10)	5,354,149	5,702,200
Unrestricted	1,958,632	1,816,368
	7,312,781	7,518,568
Accumulated rereasurement gains	3,709	72,231
Total net assets	7,316,490	7,590,799
	18,980,820	19,956,536

Contingent liabilities (note 12)

Approved on behalf of the Board of Trustees:


 _____ NSHN President & CEO


 _____ NSHN Board of Trustees Chairperson

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

NORTH SHORE HEALTH NETWORK**Statement of Operations****Year ended March 31, 2020 with comparative figures for 2019**

	2020	2019
	\$	\$
		(Restated - note 7)
Revenues		
Provincial Ministry of Health - patient care	13,661,162	12,930,345
Other patient revenue	706,943	584,224
Co-payments	379,494	401,100
Preferred accommodations	321,517	197,548
Recoveries and other revenue	2,739,772	2,792,889
Amortization of deferred contributions for non-allowable capital assets	217,395	175,154
	18,026,283	17,081,260
Expenses		
Salaries and wages	9,319,196	8,879,682
Supplies and other expenses	3,106,519	2,786,099
Employee benefits	2,693,891	2,516,262
Medical staff remuneration	1,966,883	1,812,108
Amortization of allowable capital assets	487,379	424,042
Drugs	259,383	246,400
Medical and surgical supplies	147,189	154,896
Bad debts	22,282	15,122
	18,002,722	16,834,611
Excess of revenues over expenses before undernoted items	23,561	246,649
Other Revenues		
Other votes and programs (note 11)	2,600,368	2,497,817
E-Referral project	571,807	709,963
Other recoveries	481,388	385,758
Amortization of deferred contributions for allowable capital assets	409,199	424,651
Gain on disposal of capital assets	113,658	-
Realized investments income on portfolio investments	86,813	62,976
	4,263,233	4,081,165
Other Expenses		
Other votes and programs (note 11)	2,779,882	2,581,510
E-Referral project	571,807	709,963
Other salaries and wages	481,380	383,422
Amortization of non-allowable capital assets	632,538	654,242
Post-employment benefits expense (note 7)	26,974	53,384
	4,492,581	4,382,521
Deficiency of revenues over expenses	(205,787)	(54,707)

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

NORTH SHORE HEALTH NETWORK
Statement of Remeasurement Gains and Losses
Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
	\$	\$
Accumulated remeasurement gains, beginning of year	72,231	61,209
Unrealized gains (losses) attributable to portfolio investments	(34,367)	11,022
Amounts reclassified to the Statement of Operations attributable to portfolio investments	(34,155)	-
Net remeasurement gains (losses) for the year	(68,522)	11,022
Accumulated remeasurement gains, end of year	3,709	72,231

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

NORTH SHORE HEALTH NETWORK**Statement of Changes in Net Assets****Year Ended March 31, 2020 with comparative figures for 2019**

	Invested in capital assets \$	Unrestricted Hospital Operations \$	Unrestricted Long- term Care Operations \$	2020 \$	2019 \$
Balance, beginning of year, as originally stated	5,702,200	5,232,665	(3,598,681)	7,336,184	7,411,515
Restatement (note 7)	-	182,384	-	182,384	161,760
Balance, beginning of year, as restated	5,702,200	5,415,049	(3,598,681)	7,518,568	7,573,275
Excess (deficiency) of revenues over expenses	(381,245)	353,392	(177,934)	(205,787)	(54,707)
Changes in net assets invested in capital assets	33,194	(33,194)	-	-	-
Balance, end of year	5,354,149	5,735,247	(3,776,615)	7,312,781	7,518,568

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

NORTH SHORE HEALTH NETWORK
Statement of Cash Flows
Year Ended March 31, 2020 with comparative figures for 2019

	2020	2019
	\$	\$
		(Restated - note 7)
Operating transactions		
Cash provided by (used for):		
Deficiency of revenues over expenses	(205,787)	(54,707)
Items not involving cash		
Amortization of capital assets	1,126,582	1,095,804
Gain on disposal of capital assets	(113,658)	-
Amortization of deferred capital contributions related to capital assets	(631,679)	(610,151)
	175,458	430,946
Net change in operational working capital		
Accounts receivable	139,019	(44,209)
Inventories	(28,412)	(5,797)
Prepaid expenses	(14,336)	36,083
Accounts payable and accrued liabilities	(398,576)	(267,494)
Post-employment benefits obligation	(19,001)	(7,834)
	(145,848)	141,695
Capital transactions		
Proceeds on disposal of capital assets	186,741	-
Purchase of capital assets	(467,784)	(733,987)
	(281,043)	(733,987)
Financing transactions		
Deferred capital contributions received	247,849	357,144
Loan payable	100,000	-
	347,849	357,144
Investing transactions		
Change in portfolio investments	(83,312)	(61,088)
Net increase in cash	(162,354)	(296,236)
Cash, beginning of year	2,297,801	2,594,037
Cash, end of year	2,135,447	2,297,801

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

NORTH SHORE HEALTH NETWORK

Notes to the Financial Statements

March 31, 2020

1. Nature of Organization

The **North Shore Health Network** (“NSHN”) is a general hospital under the provisions of the Public Hospitals Act of Ontario.

NSHN is principally involved in providing health care services to its three sites located in the communities of Blind River, Thessalon and Richard’s Landing. NSHN is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada) and accordingly is exempt from income tax.

2. Significant Accounting Policies

The financial statements of NSHN are prepared using Canadian public sector accounting standards, including the PS 4200 series of standard applicable to government not-for-profit organizations, as issued by the Public Sector Accounting Board. The significant policies are detailed as follows:

a) Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, NSHN is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care and the North East Local Health Integration Network. 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.

Revenue from provincial insurance plan, preferred accommodation and marketed services is recognized in the period in which goods are sold or the service is provided.

b) 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 these financial statements.

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

2. Significant Accounting Policies (continued)**c) Inventories**

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

d) Capital Assets and Amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to NSHN's ability to provide services, its carrying amount is written down to its estimated realizable value.

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

Land improvements	10 to 15 years
Buildings	20 to 50 years
Building service equipment	5 to 20 years
Equipment	3 to 20 years

e) Compensated Absences

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

f) Use of Estimates

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Amounts affected by significant estimates include allowance for uncollectible accounts receivable, estimated useful lives of capital assets and post-employment benefits obligation.

2. Significant Accounting Policies (continued)**g) Retirement and Post-Employment Benefits**

NSHN provides retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental benefits. NSHN has adopted the following policies with respect to accounting for these employee benefits:

- i) The costs of post-employment benefits are determined using management's best estimate of health care costs, employee turnover rates and discount rates. Adjustments to these costs arising from plan amendments and changes in estimates are accounted for in the period of the amendment or change.
- ii) The expense related to the multi-employer defined benefit pension plan are the employer's contributions to the plan in the year.
- iii) The discount rate used in the determination of post-employment benefits is equal to NSHN's internal rate of borrowing.

h) Financial Instruments

NSHN initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

NSHN subsequently measures its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities, and loan payable.

Financial assets measured at fair value include portfolio investments. NSHN has designated its bond portfolio that would otherwise be classified into the amortized cost category, at fair value as NSHN manages and reports performance on the portfolio on a fair value basis.

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

3. Portfolio Investments

NSHN's portfolio investments consist of GICs, bonds and mutual fund investments, detailed as follows:

	2020	2019
	\$	\$
Cost		
Guaranteed Investment Certificates	1,260,643	1,110,250
Bonds	176,140	169,871
Mutual funds	813,904	887,254
	2,250,687	2,167,375
Market value:		
Guaranteed Investment Certificates	1,260,643	1,110,250
Bonds	172,252	171,666
Mutual funds	821,501	957,690
	2,254,396	2,239,606
Unrealized gains	3,709	72,231

NSHN's GICs and bonds bear interest at varying rates between 1.91% and 3.50% per annum with maturity dates between August 2020 and February 2028.

Maturity profile of GICs and bonds held is as follows:

	Within 1	2 to 5	6 to 10	Over 10	Total
	Year	Years	Years	Years	
Carrying value	402,588	931,289	99,018	-	1,432,895
Percent of Total	28%	65%	7%	0%	100%

Financial instruments that are measured subsequent to initial recognition at fair value are 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 these asset or liability that are not based on observable market data (unobservable inputs).

Fair value of NSHN's portfolio investments have been determined using Level 1 measures in the fair value hierarchy.

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	65,599	-	65,599	-
Land improvements	420,812	420,812	420,812	420,812
Buildings	27,324,794	15,269,571	27,453,020	14,703,419
Equipment	7,878,797	6,513,952	7,983,681	6,820,925
	<u>35,690,002</u>	<u>22,204,335</u>	<u>35,923,112</u>	<u>21,945,156</u>
Net book value		<u>13,485,667</u>		<u>13,977,956</u>

5. Bank Financing

The Royal Bank of Canada has authorized a revolving demand credit facility to a maximum of \$200,000 which is unsecured and bears interest at the bank's prime rate of interest plus 0.3% per annum. At March 31, 2020, no amount has been drawn on this credit facility.

6. Accounts Payable and Accrued Liabilities

	2020	2019
	\$	\$
Ministry of Health and Long-Term Care	341,147	212,719
Wages and employee benefits	1,514,879	1,482,185
Other accounts payable	497,776	1,041,138
Other accrued liabilities	265,970	282,306
	<u>2,619,772</u>	<u>3,018,348</u>

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

7. Post-Employment Benefits

NSHN pays certain benefits on behalf of its retired employees. NSHN recognizes these post-retirement costs in the period in which the employees rendered their services. The accrued post-employment obligation of \$808,929 (2019 - \$827,930) and the expense for the period ended March 31, 2020, in the amount of \$26,974 (2019 - \$53,384) were determined using a discount rate of 3.29% (2019 – 3.18%).

Information about NSHN's defined benefit plan is as follows:

	2020	2019
	\$	\$
Accrued benefit obligation, beginning of year, as originally stated	1,010,314	997,524
Restatement (see below)	(182,384)	(161,760)
Accrued benefit obligation, beginning of year, as restated	827,930	835,764
Expense for the period	26,974	53,384
Benefits paid for the period	(45,975)	(61,218)
Accrued benefit obligation, end of year	808,929	827,930

Restatement:

On April 1, 2019, NSHN corrected an inadvertent error in the calculation of the estimated post-employment benefits obligation. It was determined that the post-employment benefits obligation reported at March 31, 2019, and March 31, 2018, were overstated by \$182,384 and \$161,760 respectively. As a result of this restatement, the post-employment benefits obligation at April 1, 2019 decreased by \$182,384 (April 1, 2018 - \$161,760 decrease) and the deficiency of revenues over expenses for the year ended March 31, 2019 decreased by \$20,624.

The main assumptions employed for the valuations are as follows:**(a) Interest (discount) rate:**

The obligation as at March 31, 2020 for the present value of future liabilities and the expense for the period then ended, were determined using an annual discount rate of 3.29%.

(b) Benefits costs

Future general benefit costs were assumed to increase at 4% per annum.

(c) Demographic factors

Turnover due to resignation, termination or mortality has been estimated at 4% per annum.

8. Loan Payable

The loan payable is due to Cameco Corporation, without interest, and is repayable in full by December 1, 2023.

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

9. Deferred Contributions for Capital Assets

Deferred contributions for capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred contributions for capital assets is recorded as revenue in the statement of operations using the straight-line method at rates consistent with the assets to which they relate.

	2020	2019
	\$	\$
Balance, beginning of year	8,519,459	8,772,466
Additional contributions received	247,849	357,144
Less amounts amortized to revenue	(631,679)	(610,151)
Balance, end of year	8,135,629	8,519,459

10. Net Assets Invested in Capital Assets

	2020	2019
	\$	\$
a) Net assets invested in capital assets are calculated as follows:		
Capital assets	13,485,667	13,977,956
Construction in progress	4,111	243,703
Amounts financed by deferred capital contributions	(8,135,629)	(8,519,459)
	5,354,149	5,702,200
b) Change in net assets invested in capital assets is calculated as follows:		
Amortization of deferred contributions for capital assets	631,679	610,151
Gain on disposal of capital assets	113,658	-
Amortization of capital assets	(1,126,582)	(1,095,804)
	(381,245)	(485,653)
Purchase of capital assets	467,784	733,987
Proceeds on disposal of capital assets	(186,741)	-
Deferred contributions on capital assets received	(247,849)	(357,144)
	33,194	376,843
Change in net assets invested in capital assets	(348,051)	(108,810)

NORTH SHORE HEALTH NETWORK**Notes to the Financial Statements****March 31, 2020**

11. Other Votes and Programs

	Revenues	Expenses	Surplus (Deficit)
	\$	\$	\$
Long-Term Care (Schedule 1)	1,860,220	2,039,734	(179,514)
Community Support Services	736,548	736,548	-
Municipal Taxes	3,600	3,600	-
	2,600,368	2,779,882	(179,514)

12. Contingent Liabilities

The nature of NSHN's activities is such that there is often litigation pending or in prospect at any time. With respect to claims at March 31, 2020, management believes NSHN has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on NSHN's financial position.

13. Pension Plan

Substantially all of the employees of NSHN 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. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the amounts contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. 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 most recent actuarial valuation of the plan indicates the Plan is fully funded. Contributions to the Plan made during the year by NSHN on behalf of its employees amounted to \$800,747 (2019 - \$764,005) and are included in the statement of operations.

At December 31, 2019, the HOOPP had total assets of \$180.8 billion (2019 - \$172.9 billion) and an accumulated surplus of \$20.6 billion (2019 - \$13.9 billion).

14. Financial Instruments

NSHN's financial instruments consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities. The nature of the risks to which NSHN may be subject to are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. NSHN is exposed to this risk relating to its cash, portfolio investments and accounts receivable.

NSHN holds its cash accounts and portfolio investments with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

NSHN is exposed to credit risk in accounts receivable which includes patient, insurance, government and other receivables. NSHN measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including managements on-going monitoring of outstanding accounts and collections. In the opinion of management, the credit risk exposure in accounts receivable is considered to be low.

b) Liquidity risk

Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. NSHN is exposed to this risk relating to its accounts payable and accrued liabilities, and loan payable.

NSHN reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay trade creditors as payables become due. In the opinion of management, the liquidity risk exposure to NSHN is low.

14. Financial Instruments (continued)**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. NSHN does not have material transactions or financial instruments denominated in foreign currencies.

ii) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. NSHN is exposed to this risk through its interest-bearing investments.

NSHN's GIC and bond portfolio has interest rates and maturities as detailed in note 3 to the financial statements. NSHN does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to NSHN is low.

iii) Other price risk

Other price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets. NSHN is exposed to this risk through its mutual fund holdings in its investment portfolio.

The maximum exposure to other price risk through NSHN's mutual fund holdings is detailed in note 3 to the financial statements. Management reduces its exposure to other price risk by monitoring the value of its mutual fund holdings on a regular basis. In the opinion of management, the other price risk exposure to NSHN is low.

There have not been significant changes from the previous year in the exposure to all of the above risks or policies, procedures and methods used to measure these risks.

NORTH SHORE HEALTH NETWORK

Notes to the Financial Statements

March 31, 2020

15. North Shore Health Network Auxiliary and Foundation

a) North Shore Health Network Auxiliary Inc.

The North Shore Health Network Auxiliary Inc. is an incorporated entity, whose primary function is to raise funds for the improvement of NSHN.

The net assets of the Auxiliary total \$276,945 at March 31, 2020 (2019 - \$248,345) and are available for use at the discretion of the Auxiliary's Board. The net assets and results from operations of the Auxiliary are not included in the statements of NSHN. Separate financial statements for the Auxiliary are available upon request.

b) North Shore Health Network Foundation

The Foundation is incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). The North Shore Health Network Foundation raises funds from the community for the benefit of NSHN.

The net assets of the Foundation total \$685,742 (2019 - \$613,294) and are available for use at the discretion of the Foundation's Board and, in the case of the portion that is restricted, for use of the Board as restricted by the donor's requests. The net assets and results from operation of the Foundation are not included in the statements of NSHN. Separate financial statements for the Foundation are available upon request. Donations from the Foundation to NSHN in the year amounted to \$175,176 (2019 - \$305,044).

16. COVID-19 Pandemic

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada and its provinces, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date. Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption to NSHN and related financial impact cannot be reasonably estimated at this time. The full potential impact of COVID-19 on NSHN's financial position is not known.

17. Comparative Figures

Certain 2019 comparative figures have been reclassified to conform to the presentation adopted for the March 31, 2020 financial statements. The reclassifications do not affect prior year excess of expenses over revenue.

NORTH SHORE HEALTH NETWORK
Schedule of Long-Term Care Operations
Year Ended March 31, 2020 with comparative figures for 2019

	2020	2019
	\$	\$
Revenues:		
Ontario Ministry of Health and Long-Term Care	1,355,292	1,277,221
Co-payments	417,116	417,638
Preferred accommodations	49,593	42,626
Recoveries and other revenue	33,134	30,889
Amortization of deferred capital contributions	5,085	10,346
	1,860,220	1,778,720
Nursing Expenses		
Salaries and benefits	1,194,763	981,602
Supplies and other	45,980	48,864
Program and Support Expenses		
Salaries and benefits	96,057	97,491
Supplies and other	841	678
Accommodation Expenses		
Purchased services	243,927	302,980
Salaries and benefits	231,426	174,010
Food costs	82,173	85,844
Supplies and other	65,699	81,162
Plant operations	72,203	72,321
Amortization of capital assets	6,665	17,011
	2,039,734	1,861,963
Deficiency of revenues over expenses	(179,514)	(83,243)