

Financial Statements of

**WINCHESTER DISTRICT  
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Winchester District Memorial Hospital

### *Opinion*

We have audited the financial statements of the Winchester District Memorial Hospital, 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 Winchester District Memorial Hospital 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Winchester District Memorial Hospital 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.



### ***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 Winchester District Memorial Hospital'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 Winchester District Memorial Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Winchester District Memorial Hospital'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 Winchester District Memorial Hospital'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 Winchester District Memorial Hospital'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 Winchester District Memorial Hospital 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 26, 2020

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 301,349	\$ 1,268,772
Accounts receivable (note 2)	3,478,636	2,162,909
Due from related entities (note 3(b))	205,970	77,104
Inventories	401,388	338,014
Prepaid expenses	1,083,580	800,960
	5,470,923	4,647,759
Capital assets (note 4)	53,550,194	53,946,629
	<u>\$ 59,021,117</u>	<u>\$ 58,594,388</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,546,501	\$ 4,352,631
Deferred revenue	79,209	36,595
	5,625,710	4,389,226
Employee future benefits (note 5)	2,020,318	1,908,748
Deferred capital contributions (note 7)	45,566,951	46,269,758
Net assets:		
Invested in capital assets (note 8)	8,875,320	8,645,014
Restricted	331,625	331,625
Unrestricted deficiency	(3,398,807)	(2,949,983)
	5,808,138	6,026,656
Short-term borrowing (note 6)		
Commitments, contingencies and guarantees (note 11)		
	<u>\$ 59,021,117</u>	<u>\$ 58,594,388</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
President and Chairman

  
\_\_\_\_\_  
Chief Executive Officer

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Operations

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

	2020	2019
<b>Revenue:</b>		
Ontario Ministry of Health:		
Base funding	\$ 28,608,027	\$ 26,933,764
OHIP funding	5,782,900	5,517,551
Satellite program	2,930,736	3,169,715
One-time funding	654,776	116,997
Recoveries and other	2,641,435	1,984,479
Other patient	571,847	599,190
Amortization of deferred contributions related to equipment (note 7)	565,988	446,803
Investment	1,955	16,217
	<b>41,757,664</b>	<b>38,784,716</b>
<b>Expenses:</b>		
Salaries and wages	16,229,507	15,258,186
Supplies and other	9,941,783	8,584,822
Medical staff remuneration	5,161,036	4,890,261
Employee benefits	5,215,767	4,707,466
Drugs and medical gases	2,956,032	3,011,931
Medical and surgical supplies	1,484,393	1,411,734
Amortization of equipment	682,758	516,092
Rental/lease of equipment	128,405	169,532
Bad debts	9,718	29,481
	<b>41,809,399</b>	<b>38,579,505</b>
Excess (deficiency) of revenue over expenses before undernoted items	(51,735)	205,211
<b>Other vote programs:</b>		
Dillabough Centre operations (note 9)	(20,224)	(15,511)
Amortization of deferred contributions related to buildings (note 7)	1,493,562	1,495,682
Amortization of buildings	(1,640,121)	(1,637,076)
	<b>(166,783)</b>	<b>(156,905)</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (218,518)</b>	<b>\$ 48,306</b>

See accompanying notes to financial statements.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

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

	Invested in capital assets (note 7)	Restricted	Unrestricted	2020 Total	2019 Total
Balance, beginning of year	\$ 8,645,014	\$ 331,625	\$ (2,949,983)	\$ 6,026,656	\$ 5,978,350
Excess (deficiency) of revenue over expenses	–	–	(218,518)	(218,518)	48,306
Purchase of capital assets	1,945,428	–	(1,945,428)	–	–
Amortization of capital assets	(2,341,863)	–	2,341,863	–	–
Amortization of deferred capital contributions	2,059,550	–	(2,059,550)	–	–
Deferred capital contributions used	(1,432,809)	–	1,432,809	–	–
<b>Balance, end of year</b>	<b>\$ 8,875,320</b>	<b>\$ 331,625</b>	<b>\$ (3,398,807)</b>	<b>\$ 5,808,138</b>	<b>\$ 6,026,656</b>

See accompanying notes to financial statements.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Cash Flows

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

	2020	2019
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (212,936)	\$ 48,306
Items not involving cash:		
Amortization of capital assets	2,341,863	2,171,444
Amortization of deferred capital contributions	(2,059,550)	(1,942,485)
Net increase in employee future benefits liability (note 5)	105,988	81,890
Net change in non-cash working capital (note 10)	(554,103)	(566,982)
	(378,738)	(207,827)
Capital activities:		
Deferred capital contributions received (note 7)	1,356,743	996,487
Purchase of capital assets	(1,945,428)	(1,745,885)
	(588,685)	(749,398)
Net decrease in cash	(967,423)	(957,225)
Cash, beginning of year	1,268,772	2,225,997
Cash, end of year	\$ 301,349	\$ 1,268,772

See accompanying notes to financial statements.



# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

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The Winchester District Memorial Hospital (the "Hospital") was incorporated in 1944 under the laws of Ontario, and commenced operations on December 28, 1948. The Hospital is a community-based organization providing acute and chronic care services for the residents of its service area. The Hospital is a registered charity and is exempt from income tax under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of WDMH Foundation or its auxiliaries which, although associated with the Hospital, are separately managed, and report to separate Boards of Trustees.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

### (a) Basis of presentation:

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

### (b) Revenue recognition:

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 Ontario Ministry of Health ("MOH"). 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.

Revenue from the Ontario Health Insurance Plan ("OHIP"), other patient care and marketed services, is recognized when the goods are sold or the service is provided.

The Hospital receives funding for operations for certain programs from the MOH. The final amount of operating revenue recorded cannot be determined until the MOH has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the MOH review is recorded in the period in which the adjustment is made.

Externally restricted contributions are recognized as revenue in the year in which the conditions for the restriction have been met. 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.

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.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any of its financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require the Hospital to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

### (d) Inventories:

Inventories are stated at the lower-of-cost and the net realizable amount. Inventory is determined on the average basis, less a provision for any obsolete or unusable inventory on hand.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets, other than minor equipment, are recorded at cost. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use.

Amortization is provided on a straight-line basis over the following terms:

Asset	Term
Buildings	20 to 50 years
Hospital equipment	3 to 20 years
License fees	3 years

(f) Employee benefit plans:

The Hospital provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2020, and the next required valuation will be as of March 31, 2021.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 15.54 years (2019 - 13.54 years).

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(f) Employee benefit plans (continued):

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

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

(g) 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.

(h) Use of estimates:

The preparation of 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 period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Amounts subject to significant estimates include the assumptions used in determining the employee future benefits liability.

## 2. Accounts receivable:

	2020	2019
Ontario Ministry of Health	\$ 513,254	\$ 7,771
Champlain LHIN	336,076	102,597
Ontario Health Insurance Plan	515,804	437,427
Other	2,163,502	1,665,114
	3,528,636	2,212,909
Less allowance for doubtful accounts	50,000	50,000
	\$ 3,478,636	\$ 2,162,909

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Related party transactions:

(a) The Winchester District Memorial Hospital Auxiliary:

The Hospital has an economic interest in the Winchester District Memorial Hospital Auxiliary (the "Auxiliary"). The Auxiliary participates in fundraising activities to provide funding for the purchase of equipment for the Hospital. During 2019, the Auxiliary provided \$NIL (2019 - \$116,155) in donations to the Hospital. Of this donated amount, \$NIL (2019 - \$116,155) has been included in deferred contributions related to capital assets.

(b) The Winchester District Memorial Hospital Foundation:

The Hospital has an economic interest in the Winchester District Memorial Hospital Foundation (the "Foundation"). The Foundation raises, receives and maintains funds for the financing of major equipment, capital construction or needed renovations of the Hospital and Rural Healthcare Innovations. During 2019, the Foundation provided \$1,296,080 (2019 - \$627,545) in donations to the Hospital. Of this donated amount, \$123,490 (2019 - \$49,295) has been included in other revenue and \$1,172,590 (2019 - \$578,250) has been included in deferred capital contributions related to capital assets. As at March 31, 2020, the Foundation owes the Hospital \$205,970 (2019 - \$77,104) for its share of expenses incurred during the year and donations to be paid.

The assets, liabilities and results of operations for the Foundation for the year ended March 31 are as follows:

	2020	2019
Financial position:		
Total assets	\$ 2,688,870	\$ 1,938,548
Total liabilities	\$ 240,265	\$ 100,226
Net assets	2,448,605	1,838,322
Total liabilities and net assets	\$ 2,688,870	\$ 1,938,548
Results of operations:		
Total revenue	\$ 2,393,170	\$ 1,534,691
Total operating expenses	486,807	431,174
Total contributions to the Hospital	1,296,080	627,545
Excess of revenue over expenses	\$ 610,283	\$ 475,972

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 4. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 1,047,873	\$ –	\$ 1,047,873	\$ 1,047,873
Buildings:				
Hospital	68,589,037	20,228,291	48,360,746	49,784,772
Dillabough Centre	996,785	372,064	624,721	641,926
Total land and buildings	70,633,695	20,600,355	50,033,340	51,474,571
Hospital equipment	16,512,490	13,461,013	3,051,477	2,472,058
License fees	183,776	183,776	–	–
Assets under construction	465,377	–	465,377	–
	<u>\$ 87,795,338</u>	<u>\$ 34,245,144</u>	<u>\$ 53,550,194</u>	<u>\$ 53,946,629</u>

During the year, the Hospital disposed of capital assets with a cost of \$881,520 (2019 - \$656,071) and accumulated amortization of \$881,520 (2019 - \$656,071) resulting in a loss on disposal of capital assets of \$Nil (2019 - \$Nil).

Cost and accumulated amortization at March 31, 2019 amounted to \$86,731,430 and \$32,784,801, respectively.

## 5. Employee future benefits:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2020. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2018.

At March 31, 2020 the Hospital's liability associated with the benefit plan is as follows:

	2020	2019
Accrued benefit obligation	\$ 2,203,086	\$ 2,088,396
Unamortized experience losses	(182,768)	(179,648)
Employee future benefit liability	<u>\$ 2,020,318</u>	<u>\$ 1,908,748</u>

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 5. Employee future benefits (continued):

The Hospital's defined benefit plan is not funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2020	2019
Discount rate	3.29%	3.18%
Dental cost increases	4.00%	4.00%
Extended healthcare cost escalations	8.00%	8.00%
Expected average remaining service life of employees	15.54 years	13.54 years

The employee future benefit liability change is comprised of:

	2020	2019
Current service cost	\$ 116,525	\$ 108,931
Interest on accrued benefit obligation during the year	66,721	65,712
Amortization of net experience losses	19,742	12,135
Benefit payments made by the Hospital during the year	(91,418)	(104,888)
	\$ 111,570	\$ 81,890

### Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$1,391,825 (2019 - \$1,338,640). These amounts are included in employee benefits expense 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 most recent triennial actuarial valuation of the Plan as at December 31, 2017 indicates the Plan is fully funded.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 6. Short-term borrowing:

The Hospital has a revolving demand loan of \$6,500,000 which bears interest at prime plus 0.5%. At March 31, 2020, the Hospital has drawn \$Nil (2019 - \$Nil) on this facility.

## 7. Deferred capital contributions:

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

The changes in the deferred balance for the year are as follows:

	2020	2019
Balance, beginning of year	\$ 46,269,758	\$ 47,215,757
Add contributions received during the year	1,356,743	996,486
Less amounts amortized for buildings	(1,493,562)	(1,495,682)
Less amounts amortized for equipment	(565,988)	(446,803)
	<u>\$ 45,566,951</u>	<u>\$ 46,269,758</u>

The balance of unamortized and unspent funds consists of the following:

	2020	2019
Unamortized capital contributions	\$ 44,674,874	\$ 45,301,615
Unspent contributions	892,077	968,143
	<u>\$ 45,566,951</u>	<u>\$ 46,269,758</u>



# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 8. Invested in capital assets:

	2020	2019
Capital assets	\$ 53,550,194	\$ 53,946,629
Less amounts financed by deferred contributions	(44,674,874)	(45,301,615)
	\$ 8,875,320	\$ 8,645,014

## 9. Dillabough Centre operations:

	2020	2019
Rental revenue	\$ 28,931	\$ 28,931
Rental operating costs	30,171	26,166
Amortization of capital assets	18,984	18,276
Total expenses	49,155	44,442
Deficiency of revenue over expenses	\$ (20,224)	\$ (15,511)

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

	2020	2019
Accounts receivable	\$ (1,315,727)	\$ (541,528)
Due from related entities	(128,866)	(31,019)
Inventories	(63,374)	22,093
Prepaid expenses and deposits	(282,620)	(202,032)
Accounts payable and accrued liabilities	1,193,870	205,409
Deferred revenue	42,614	(19,905)
	\$ (554,103)	\$ (566,982)

## 11. Commitments, contingencies and guarantees:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. There were no specific claims noted by Management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse effect on the statement of financial position or results of operations.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 11. Commitments, contingencies and guarantees (continued):

- (b) A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses in excess of such premiums, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2020.
- (c) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

## 12. Financial risks and concentration of risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

The Hospital's receivables are with governments, government funding agencies, patients and residents and corporate entities. The Hospital believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. The balance of the allowance for doubtful accounts at March 31, 2020 is \$50,000 (2019 - \$50,000).

### (b) Liquidity risk:

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

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 12. Financial risks and concentration of risk (continued):

### (c) Market risk:

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

The Hospital believes it is not subject to significant interest rate, foreign currency or other price risks arising from its financial instruments.

The impact of the COVID-19 pandemic on these risks is disclosed in note 13.

## 13. Impact of Coronavirus COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions 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 Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced increases in operating costs.

### a) *Current year transactions:*

For the year ended March 31, 2020, the Ministry of Health and Long Term Care of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenditures of \$513,254 consisting of salaries and wages, supplies and other expenses, inventory and capital assets. The Hospital recognized \$513,254 of revenue from these programs.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 13. Impact of Coronavirus COVID-19 Pandemic (continued):

### *b) Subsequent events related to COVID-19:*

The Ministry has committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

### *c) Impact of COVID-19 on financial risks:*

The COVID-19 pandemic has impacted the financial risks of the Hospital as follows:

#### *i) Credit risk:*

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable from non-Canadian government entities, including individuals, businesses and foreign entities because of the economic slowdown and changes in operations caused by COVID-19. The Hospital is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties. The Hospital has updated its allowance for doubtful accounts to include considerations related to COVID-19.

#### *ii) Liquidity risk:*

The ability of the Hospital to meet their cash flow requirements in the short term may be impacted by several factors including delays in cash collections on receivables, and the loss of revenue associated with elective surgeries, parking revenues and other forms of patient revenue. The hospital is continuously monitoring their cash flow in order to maintain its liquidity moving forward.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.

## 14. Comparative information

Certain comparative information as at March 31, 2019, have been restated to conform to current year's presentation.