

Financial Statements of

ST. THOMAS ELGIN GENERAL HOSPITAL

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of St. Thomas Elgin General Hospital

Opinion

We have audited the financial statements of St. Thomas Elgin General Hospital (the 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 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 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 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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 3, 2020

ST. THOMAS ELGIN GENERAL HOSPITAL

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 1,632,536	\$ 2,131,326
Accounts receivable (note 2)	4,592,083	4,353,503
Due from Hospital Foundation (note 11 (a))	305,125	711,927
Inventories	1,056,863	909,578
Prepaid expenses	1,201,585	1,088,488
	<u>8,788,192</u>	<u>9,194,822</u>
Capital assets (note 3)	131,875,945	135,201,748
Restricted investments	-	2,589
	<u>\$140,664,137</u>	<u>\$144,399,159</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,175,999	\$ 9,859,591
Vacation liability	2,739,459	2,768,431
Due to Hospital Auxiliary (note 11 (b))	274,877	173,469
Current portion of long-term debt (note 5)	1,065,979	1,475,086
	<u>15,256,314</u>	<u>14,276,577</u>
Total current liabilities		
Long-term debt (note 5)	6,507,479	7,533,571
Sick leave liability	20,569	92,217
Employee future benefits (note 6 (b))	3,582,100	3,435,000
	<u>25,366,462</u>	<u>25,337,365</u>
Deferred capital contributions (note 7)	104,407,229	107,273,747
Net assets:		
Unrestricted	10,890,446	11,785,458
Restricted	-	2,589
	<u>10,890,446</u>	<u>11,788,047</u>
Subsequent event (note 8)		
Commitments (note 12)		
Contingencies (note 13)		
	<u>\$140,664,137</u>	<u>\$144,399,159</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Peter van der Westen Director  Rick Robertson Director

ST. THOMAS ELGIN GENERAL HOSPITAL

Statement of Operations

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

	2020	2019
Revenues:		
Ministry of Health Funding	\$ 85,144,997	\$ 81,447,463
Patient revenue from other payers	14,478,650	12,242,215
Recoveries and miscellaneous revenue	9,706,982	8,003,560
Amortization of deferred contributions related to equipment (note 7)	1,339,128	1,221,177
Differential and co-payment revenues	830,079	572,533
Total revenues	111,499,836	103,486,948
Expenses:		
Salaries and wages	48,573,477	46,531,366
Employee benefits	14,486,117	13,897,878
	63,059,594	60,429,244
Medical staff remuneration	16,071,200	14,524,707
Supplies and equipment	18,042,169	16,125,346
Amortization of equipment	2,997,497	2,820,898
Medical and surgical supplies	4,748,673	4,547,390
Drugs	5,116,350	4,403,928
Interest, short-term	45,373	63,834
	47,021,262	42,486,103
Total expenses	110,080,856	102,915,347
Surplus from operations before COVID-19 expenses	1,418,980	571,601
COVID-19 expenses (note 8)	866,985	-
Surplus before the undernoted	551,995	571,601
Amortization of deferred contributions related to buildings (note 7)	3,752,809	3,692,149
Interest, long-term debt	(213,775)	(163,172)
Amortization of building	(4,988,630)	(4,954,580)
	(1,449,596)	(1,425,603)
Deficit	\$ (897,601)	\$ (854,002)

See accompanying notes to financial statements.

ST. THOMAS ELGIN GENERAL HOSPITAL

Statements of Changes in Net Assets

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

March 31, 2020	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 2,589	\$ 11,785,458	\$ 11,788,047
Deficit	-	(897,601)	(897,601)
Transfer	(2,589)	2,589	-
Balance, end of year	\$ -	\$ 10,890,446	\$ 10,890,446

March 31, 2019	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 9,961	\$ 12,632,088	\$ 12,642,049
Deficit	-	(854,002)	(854,002)
Transfer	(7,372)	7,372	-
Balance, end of year	\$ 2,589	\$ 11,785,458	\$ 11,788,047

See accompanying notes to financial statements.

ST. THOMAS ELGIN GENERAL HOSPITAL

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Deficit	\$ (897,601)	\$ (854,002)
Items not involving cash:		
Amortization of capital assets	7,986,127	7,775,478
Amortization of deferred contributions	(5,091,937)	(4,913,326)
Vacation liability	(28,972)	280,769
Sick leave liability	(71,648)	(23,674)
Employee future benefits	147,100	22,300
<u>Changes in non-cash operating working capital (note 9)</u>	<u>1,325,656</u>	<u>(2,269,388)</u>
	3,368,725	18,157
Financing activities:		
Repayment of long-term debt	(1,435,199)	(979,258)
Proceeds from long-term debt	-	2,228,334
<u>Contributions received related to capital assets</u>	<u>2,225,419</u>	<u>2,922,458</u>
	790,220	4,171,534
Investing activities:		
Purchase of capital assets	(4,660,324)	(7,426,947)
<u>Net change in restricted investment</u>	<u>2,589</u>	<u>7,372</u>
	(4,657,735)	(7,419,575)
Decrease in cash	(498,790)	(3,229,884)
Cash, beginning of year	2,131,326	5,361,210
<u>Cash, end of year</u>	<u>\$ 1,632,536</u>	<u>\$ 2,131,326</u>

See accompanying notes to financial statements.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

The St. Thomas Elgin General Hospital (the "Hospital") is incorporated without share capital under the Companies Act of Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Hospital is a 157-bed facility providing 24-hour coverage in medicine, surgery, obstetrics, pediatrics, anaesthesia, mental health, emergency and family medicine. The Hospital serves the residents of St. Thomas and Elgin County.

The Hospital is primarily funded by the Province of Ontario in accordance with funding policies established by the Ministry of Health ("MoH"). Any excess of revenues over expenses earned during a fiscal year may be retained by the Hospital. There is currently no commitment by the MoH to fund operating deficits. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The MoH provides operating funding including base funding which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the Southwest Local Health Integration Network ("SW LHIN") under the direction of the MoH. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance.

If the Hospital does not meet certain performance standards or obligations, the MoH/SW LHIN has the right to adjust certain funding streams received by the Hospital. Given that the MoH/SW LHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the Section 4200 standards for government not-for-profit organizations. Significant accounting policies of the Hospital are summarized as follows:

(a) Revenue recognition:

The deferral method of accounting for contributions which includes donations and government grants is as follows:

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.

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 other than endowment contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are recorded as deferred capital contributions and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenues from sources other than the MoH are recognized as services are rendered and collection is reasonably assured.

(b) Inventories:

Inventories, consisting of hospital supplies, are valued at the lower of cost on a weighted average basis and replacement cost.

(c) Restricted investments:

Restricted investments are recorded at fair value.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. 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.

Amortization of original cost and any corresponding deferred contributions are calculated on a straight-line basis using the following annual rates over the estimated useful lives of the assets:

Asset	Rate
Building and building equipment	2.0% - 10.0%
Equipment (not including software)	5.0% - 20.0%
Equipment (software)	33.3%

Construction in progress comprises construction and development costs and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method). Long-term debt is recorded at cost.

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. There are no items to be reported on the statement of remeasurement gains and losses, and as a result, the statement has not been prepared.

The Hospital classifies 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.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Employee future benefits:

The Hospital provides non-pension post-retirement benefit including health, dental and life insurance benefits. The Hospital accrues its obligations under the non-pension post-retirement benefit as the employees render the services necessary to earn the post-employment benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees, and expected health care and dental costs. The most recent actuarial valuation of the benefit plan for funding purposes was as of March 31, 2020.

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. The average remaining service period of the active employees covered by the post-employment benefits plan is 13 years (2019 - 13 years).

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

Substantially all full time employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. As this is a multi-employer plan, no liability has been recorded in the Hospital's financial statements.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. However, because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. During the year, volunteers contributed 30,222 hours of services (2019 - 30,760).

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, contingent liabilities, and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable:

	2020	2019
Ministry of Health	\$ 1,163,416	\$ 1,705,176
Provincial other	234,931	307,300
Patient and other	3,304,554	2,404,683
	4,702,901	4,417,159
Provision for doubtful accounts (note 14 (a))	(110,818)	(63,656)
	\$ 4,592,083	\$ 4,353,503

3. Capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 23,583	\$ -	\$ 23,583	\$ 23,583
Building and building equipment	164,867,598	47,674,686	117,192,912	119,896,901
Equipment	43,621,817	28,962,367	14,659,450	15,281,264
	\$208,512,998	\$ 76,637,053	\$131,875,945	\$135,201,748

4. Credit facilities:

The following credit facilities have been established for the Hospital by a Canadian chartered bank an unsecured operating line of credit of \$6,000,000 at prime rate minus 0.80%. At March 31, 2020 nil (2019 - nil) was drawn against this facility.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Long-term debt:

	2020	2019
Capital loan, unsecured, payable in blended monthly payments of \$40,505, interest at prime (3.20% at March 31, 2020), minus 0.75%, 2.45% (2.45% at March 31, 2019) balance due March 31, 2024, committed facility expires on April 30, 2021	\$ 2,243,070	\$ 2,722,939
Capital loan, unsecured, payable in quarterly blended payments of \$145,901 at 3.87%, balance due November 30, 2022, committed facility expires on April 30, 2021	1,532,050	2,057,384
Instalment loan, unsecured, payable in monthly payments of \$35,833 plus interest at 1.975%, balance due April 2029, committed facility expires on April 30, 2021	3,798,338	4,228,334
	<u>7,573,458</u>	<u>9,008,657</u>
Less current portion	1,065,979	1,475,086
	<u>\$ 6,507,479</u>	<u>\$ 7,533,571</u>

Regular annual principal payments required on long-term debt for the next two fiscal years and thereafter are due as follows, however, it is management's intention to renew these facilities upon their expiry as has been the case in prior years:

2021	\$ 1,065,979
2022	6,507,479
	<u>\$ 7,573,458</u>

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Employee future benefits:

(a) Pension plan:

Substantially all full time employees of the Hospital are 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 on behalf of employees amounted to \$4,223,078 (2019 - \$4,148,208).

The audited financial statements of the Healthcare of Ontario Pension Plan at December 31, 2019, disclosed a net assets value of \$94 billion with accrued going concern liabilities relating to pension obligations of \$74 billion, resulting in a going concern surplus of \$21 billion, or a 28% surplus (2019 - 21%).

(b) Other employee future benefits:

The non-pension post-retirement benefit plan is a defined benefit plan funded on a cash basis by contributions from the Hospital.

The current benefit costs for the Hospital's benefit plan, which is included in salaries and wages in the statement of operations, is as follows:

	2020	2019
Current benefit cost	\$ 195,000	\$ 133,200
Interest costs	101,800	83,100
Amortization of net actuarial gain	(20,200)	(545,600)
Amortization of past service costs	-	474,700
Current benefit cost	\$ 276,600	\$ 145,400

The unamortized actuarial loss (gain) is amortized over the expected average remaining service life.

Information about the Hospital's accrued non-pension benefits liability as at March 31, 2020 is as follows:

	2020	2019
Accrued benefit obligation	\$ 3,562,100	\$ 2,992,100
Unamortized net actuarial gain	20,000	442,900
Net benefit liability	\$ 3,582,100	\$ 3,435,000

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Employee future benefits (continued):

(b) Other employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the Hospital's accrued non-pension benefit obligations as at March 31, 2020 are as follows:

	2020	2019
Discount rate for accrued benefit obligations	3.24 %	3.26 %
Discount rate for net benefit expense	3.26 %	3.41 %
Health cost trends:		
Initial rate	6.00 %	8.00 %
Ultimate rate (rate reached in 2038)	4.00 %	4.00 %

Other information about the Hospital's non-pension defined benefit plans as at March 31, 2020 are as follows:

	2020	2019
Employer contributions	\$ 129,500	\$ 123,100
Benefits paid	129,500	123,100

7. Deferred capital contributions:

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

	2020	2019
Balance, beginning of year	\$107,273,747	\$109,264,615
Additional contributions	2,225,419	2,922,458
Amounts amortized to the statement of operations	(5,091,937)	(4,913,326)
Balance, end of year	\$104,407,229	\$107,273,747

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. 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;
- 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, the reduction to Ambulatory and Diagnostic clinics and where appropriate, 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 decreases in operating revenues and increases in operating costs.

a) *Current year transactions:*

For the year ended March 31, 2020, the Ministry of Health has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenses of \$866,985 and has recognized \$132,501 of revenue from these programs. These amounts have been recorded in Ministry of Health Funding revenue and COVID-19 expenses in the statement of operations.

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

The Ministry has also 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.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

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 has been 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 to 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.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Changes in non-cash operating working capital:

	2020	2019
Accounts receivable	\$ (238,580)	\$ (1,901,869)
Due from the Hospital Foundation	406,802	911,092
Inventories	(147,285)	(111,899)
Prepaid expenses	(113,097)	200
Accounts payable and accrued liabilities	1,316,408	(953,688)
Deferred grant	-	(296,841)
Due to the Hospital Auxiliary	101,408	83,617
	<u>\$ 1,325,656</u>	<u>\$ (2,269,388)</u>

10. Capital management:

In managing capital, the Hospital focuses on liquid resources available for operations. The need for sufficient liquidity is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Hospital will, where appropriate, finance capital assets through long-term loans which have an amortization period matching that of the assets being financed. As at March 31, 2020, the Hospital has authorized funds of \$6,000,000 available through its operating line of credit, of which nil (2019 - nil) has been drawn against this facility. As at March 31, 2020, the Hospital has met its objective of having sufficient liquidity to meet its current obligations.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Related entities:

(a) St. Thomas Elgin General Hospital Foundation:

St. Thomas Elgin General Hospital Foundation (the "Foundation") is a related entity incorporated without share capital under the laws of Ontario. The Foundation is independent, but exists to support designated programs and services within the Hospital. During the year, the Foundation provided funds to the Hospital totaling \$1,031,847 (2019 - \$1,269,316) which have been recorded as deferred capital contributions.

The Hospital provides the Foundation with accounting and payroll services as well as rental space at no cost to the Foundation.

As the Hospital does not control the Foundation, its results are not included in these financial statements.

(b) St. Thomas Elgin General Hospital Auxiliary:

The St. Thomas Elgin General Hospital Auxiliary (the "Auxiliary") operates the gift shop within the Hospital and undertakes other fundraising and volunteer activities for the benefit of the Hospital.

The Hospital provides the Auxiliary rental space at no cost to the Auxiliary.

As the Hospital does not control the Auxiliary, its results are not included in these financial statements.

12. Commitments:

The Hospital leases certain equipment and vehicles and has several service contract agreements. These leases and contracts expire at various dates and require aggregate future minimum payments of \$8,676,976. Minimum payments required over the next four years are as follows:

2021	\$ 3,204,474
2022	2,986,255
2023	1,521,632
2024	964,615
	<hr/>
	\$ 8,676,976

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Contingencies:

The Hospital is subject to certain actual and potential legal claims, which arise in the normal course of operations. As at March 31, 2020, the hospital has a number of outstanding claims or possible claims arising out of alleged damages caused by hospital and medical professional staff. A provision has been recorded in the financial statements after giving consideration to the Hospital's insurance coverage.

14. Financial risks:

(a) Credit risk:

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

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is \$110,818 (2019 - \$63,656).

As at March 31, 2020, \$217,496 (2019 - \$152,909) of trade accounts receivable were past due, but not impaired.

(b) Liquidity risk:

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

Accounts payable and accrued liabilities are generally due within 45 days of receipt of an invoice. The contractual maturities of the long-term debt is disclosed in note 5.

ST. THOMAS ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Financial risks (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through its long-term debt as disclosed in note 5.

There has been no significant change to the interest rate risk exposure from 2019.