

Financial Statements of

**WINCHESTER DISTRICT  
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, and its results of operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

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

We are independent of the 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 22, 2021

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 1,618,490	\$ 301,349
Accounts receivable (note 2)	4,674,378	3,478,636
Due from related entities (note 3(b))	170,097	205,970
Inventories	776,413	401,388
Prepaid expenses	1,076,682	1,083,580
	<u>8,316,060</u>	<u>5,470,923</u>
Capital assets (note 4)	53,411,218	53,550,194
	<u>\$ 61,727,278</u>	<u>\$ 59,021,117</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Short-term borrowing (note 6)	\$ 1,900,002	\$ -
Accounts payable and accrued liabilities	6,753,676	5,546,501
Deferred revenue	86,227	79,209
	<u>8,739,905</u>	<u>5,625,710</u>
Employee future benefits (note 5)	2,137,788	2,020,318
Deferred capital contributions (note 7)	44,810,252	45,566,951
Total liabilities	<u>55,687,945</u>	<u>53,212,979</u>
Net assets:		
Invested in capital assets (note 8)	9,530,512	8,875,320
Restricted	331,625	331,625
Unrestricted deficiency	(3,822,804)	(3,398,807)
	<u>6,039,333</u>	<u>5,808,138</u>
Commitments, contingencies and guarantees (note 11)		
	<u>\$ 61,727,278</u>	<u>\$ 59,021,117</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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Ontario Ministry of Health:		
Base funding	\$ 28,782,309	\$ 28,608,027
OHIP funding	4,514,036	5,782,900
Satellite program	3,443,943	2,930,736
One-time funding	5,456,414	654,776
Recoveries and other	1,735,850	2,566,435
Other patient	445,659	571,847
Amortization of deferred contributions related to equipment (note 7)	580,665	565,988
Investment	1,089	1,955
	<u>44,959,965</u>	<u>41,682,664</u>
Expenses:		
Salaries and wages	17,950,931	16,229,507
Supplies and other	10,038,667	9,941,783
Employee benefits	5,524,433	5,215,767
Medical staff remuneration	5,494,977	5,161,036
Drugs and medical gases	3,575,676	2,956,032
Medical and surgical supplies	1,308,673	1,484,393
Amortization of equipment	743,490	682,758
Rental/lease of equipment	230,871	128,405
Bad debts	–	9,718
	<u>44,867,718</u>	<u>41,809,399</u>
Excess (deficiency) of revenue over expenses before undernoted items	92,247	(126,735)
Other vote programs:		
Dillabough Centre operations (note 9)	(15,805)	(20,224)
Amortization of deferred contributions related to buildings (note 7)	1,501,795	1,493,562
Amortization of buildings	(1,656,342)	(1,640,121)
Working capital funding (note 14)	139,300	–
Management fee from Rural Healthcare Innovations	170,000	75,000
	<u>138,948</u>	<u>(91,783)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 231,195</u>	<u>\$ (218,518)</u>

See accompanying notes to financial statements.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Invested in capital assets (note 7)	Restricted	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	\$ 8,875,320	\$ 331,625	\$ (3,398,807)	\$ 5,808,138	\$ 6,026,656
Deficiency of revenue over expenses	–	–	231,195	231,195	(218,518)
Purchase of capital assets	2,279,134	–	(2,279,134)	–	–
Amortization of capital assets	(2,418,110)	–	2,418,110	–	–
Amortization of deferred capital contributions	2,082,461	–	(2,082,461)	–	–
Deferred capital contributions used	(1,288,293)	–	1,288,293	–	–
<b>Balance, end of year</b>	<b>\$ 9,530,512</b>	<b>\$ 331,625</b>	<b>\$ (3,822,804)</b>	<b>\$ 6,039,333</b>	<b>\$ 5,808,138</b>

See accompanying notes to financial statements.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenses	\$ 231,195	\$ (212,936)
Items not involving cash:		
Amortization of capital assets	2,418,110	2,341,863
Amortization of deferred capital contributions	(2,082,461)	(2,059,550)
Net increase in employee future benefits liability (note 5)	117,470	105,988
Net change in non-cash working capital (note 10)	(313,803)	(554,103)
	<u>370,511</u>	<u>(378,738)</u>
Capital activities:		
Deferred capital contributions received (note 7)	1,325,762	1,356,743
Purchase of capital assets	(2,279,134)	(1,945,428)
	<u>(953,372)</u>	<u>(588,685)</u>
Investing activities:		
Net increase in short-term borrowings	1,900,002	—
Net increase (decrease) in cash	<u>1,317,141</u>	<u>(967,423)</u>
Cash, beginning of year	301,349	1,268,772
Cash, end of year	<u>\$ 1,618,490</u>	<u>\$ 301,349</u>

See accompanying notes to financial statements.



# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

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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, 2021

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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, 2021

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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

### (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, 2021, and the next required valuation will be as of March 31, 2024.

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 13.21 years (2020 - 15.54 years).

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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 and Ministry of Health pandemic funding (note 13).

## 2. Accounts receivable:

	2021	2020
Ontario Ministry of Health	\$ 919,205	\$ 513,254
Champlain LHIN	1,029,840	336,076
Ontario Health Insurance Plan	498,576	515,804
Other	2,276,757	2,163,502
	4,724,378	3,528,636
Less allowance for doubtful accounts	50,000	50,000
	\$ 4,674,378	\$ 3,478,636

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

### 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 2021, the Auxiliary provided \$Nil (2020 - \$Nil) in donations to the Hospital. Of this donated amount, \$Nil (2020 - \$Nil) 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 2021, the Foundation provided \$330,227 (2020 - \$1,296,080) in donations to the Hospital. Of this donated amount, \$57,507 (2020 - \$123,490) has been included in other revenue and \$272,720 (2020 - \$578,250) has been included in deferred capital contributions related to capital assets. As at March 31, 2020, the Foundation owes the Hospital \$220,271 (2020 - \$205,970) 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:

	2021	2020
Financial position:		
Total assets	\$ 6,281,472	\$ 2,688,870
Total liabilities	\$ 185,993	\$ 240,265
Net assets	6,095,479	2,448,605
Total liabilities and net assets	\$ 6,281,472	\$ 2,688,870
Results of operations:		
Total revenue	\$ 4,587,962	\$ 2,393,170
Total operating expenses	608,161	486,807
Total contributions to the Hospital	332,927	1,296,080
Excess of revenue over expenses	\$ 3,646,874	\$ 610,283

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 4. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 1,047,873	\$ –	\$ 1,047,873	\$ 1,047,873
Buildings:				
Hospital	69,237,873	21,884,633	47,353,240	48,360,746
Dillabough Centre	996,785	389,269	607,516	624,721
Total land and buildings	71,282,531	22,273,902	49,008,629	50,033,340
Hospital equipment	17,235,807	14,357,461	2,878,346	3,051,477
Assets under construction	1,524,243	–	1,524,243	465,377
	<u>\$ 90,042,581</u>	<u>\$ 36,631,363</u>	<u>\$ 53,411,218</u>	<u>\$ 53,550,194</u>

During the year, the Hospital disposed of capital assets with a cost of \$31,891 (2020 - \$881,520) and accumulated amortization of \$31,891 (2020 - \$881,520) resulting in a loss on disposal of capital assets of \$Nil (2020 - \$Nil).

Cost and accumulated amortization at March 31, 2020 amounted to \$87,795,338 and \$34,245,144, 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, 2021. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2021.

At March 31, 2021 the Hospital's liability associated with the benefit plan is as follows:

	2021	2020
Accrued benefit obligation	\$ 2,213,261	\$ 2,203,086
Unamortized experience losses	(75,473)	(182,768)
Employee future benefit liability	<u>\$ 2,137,788</u>	<u>\$ 2,020,318</u>

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 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:

	2021	2020
Discount rate	3.21%	3.29%
Dental cost increases	4.00%	4.00%
Extended healthcare cost escalations	8.00%	8.00%
Expected average remaining service life of employees	13.21 years	15.54 years

The employee future benefit liability change is comprised of:

	2021	2020
Current service cost	\$ 118,469	\$ 116,525
Interest on accrued benefit obligation during the year	72,769	66,721
Amortization of net experience losses	21,252	19,742
Benefit payments made by the Hospital during the year	(95,020)	(91,418)
	\$ 117,470	\$ 111,570

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 \$1,481,163 (2020 - \$1,391,825). 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, 2019 indicates the Plan is fully funded.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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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, 2021, the Hospital has drawn \$1,900,002 (2020 - \$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:

	2021	2020
Balance, beginning of year	\$ 45,566,951	\$ 46,269,758
Add contributions received during the year	1,325,761	1,356,743
Less amounts amortized for buildings	(1,501,795)	(1,493,562)
Less amounts amortized for equipment	(580,665)	(565,988)
	<u>\$ 44,810,252</u>	<u>\$ 45,566,951</u>

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

	2021	2020
Unamortized capital contributions	\$ 43,880,706	\$ 44,674,874
Unspent contributions	929,546	892,077
	<u>\$ 44,810,252</u>	<u>\$ 45,566,951</u>



# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 8. Invested in capital assets:

	2021	2020
Capital assets	\$ 53,411,218	\$ 53,550,194
Less amounts financed by deferred contributions	(43,880,706)	(44,674,874)
	\$ 9,530,512	\$ 8,875,320

## 9. Dillabough Centre operations:

	2021	2020
Rental revenue	\$ 28,931	\$ 28,931
Rental operating costs	26,458	30,171
Amortization of capital assets	18,278	18,984
Total expenses	44,736	49,155
Deficiency of revenue over expenses	\$ (15,805)	\$ (20,224)

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

	2021	2020
Accounts receivable	\$ (1,195,742)	\$ (1,315,727)
Due from related entities	35,873	(128,866)
Inventories	(375,025)	(63,374)
Prepaid expenses and deposits	6,898	(282,620)
Accounts payable and accrued liabilities	1,207,175	1,193,870
Deferred revenue	7,018	42,614
	\$ (313,803)	\$ (554,103)

## 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, 2021

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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:

The Hospital is subject to financial risks from its financial instruments as follows:

### (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, 2021 is \$50,000 (2020 - \$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, 2021

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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.

These financial risks have not changed significantly from the prior year.

## 13. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic (“COVID-19”), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management’s estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital’s operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Due to the uncertainty of the amount of funding that will be confirmed in future years, management has recorded a provision on the receivable as noted in the chart below. Any adjustments to Management’s estimate of MOH revenues will be reflected in the Hospital’s financial statements in the year of settlement.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 13. Ministry of Health pandemic funding (continued):

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

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Funding for incremental COVID-19 operating expenses	\$ 2,339,487
Funding for revenue losses resulting from COVID-19	1,029,840
	<hr/> 3,369,326 <hr/>

In addition to the above, the Hospital has also recognized \$318,804 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

## 14. Working capital funding from Ministry of Health

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the MOH has provided its preliminary estimate of working capital funding of \$139,300 which has been recognized as revenue. The MOH has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to this working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

## 15. COVID-19 impacts

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market, health and societal impacts. In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

# WINCHESTER DISTRICT MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## **14. COVID-19 impacts (continued):**

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

## **15. Comparative information**

Certain comparative information as at March 31, 2020, have been restated to conform to current year's presentation.