

Financial Statements of

**ENGLEHART AND DISTRICT
HOSPITAL INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Directors of Englehart and District Hospital Inc.

Opinion

We have audited the financial statements of Englehart and District Hospital Inc. (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 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 ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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's to cease to continue as a going concern.



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- 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

Sudbury, Canada

June 23, 2020

ENGLEHART AND DISTRICT HOSPITAL INC.


Statement of Operations


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

	2020	2019
Revenue:		
North East Local Health Integration Network and Ministry of Health	\$ 7,172,942	\$ 7,053,122
Patient services	180,840	269,311
Preferred accommodation	111,099	98,079
Other	2,797,533	1,991,797
Amortization - deferred capital contributions for equipment	182,579	170,126
	<u>10,444,993</u>	<u>9,582,435</u>
Expenses:		
Salaries and wages	4,946,647	4,470,750
Employee benefits	1,092,016	1,146,695
Medical staff remuneration	1,527,137	1,040,755
Drugs	150,435	135,254
Medical and surgical	115,592	149,208
Other supplies and services	1,975,066	1,742,639
Amortization - equipment	317,502	205,942
	<u>10,124,395</u>	<u>8,891,243</u>
Excess of revenue over expenses for Ministry purposes	320,598	691,192
Amortization of deferred capital contributions - buildings, land improvements and building service equipment	178,102	180,354
Amortization - buildings, land improvements and building service equipment	(230,721)	(224,780)
Excess of revenue over expenses before undernoted items	267,979	646,766
Specifically funded programs:		
Revenue	2,550	2,550
Expenses	(2,550)	(2,550)
Excess of revenue over expenses - specifically funded program	-	-
Excess of revenue over expenses	<u>\$ 267,979</u>	<u>\$ 646,766</u>

See accompanying notes to financial statements

On behalf of the Board:

 Chester Johnson Director
 Board Chair

 JIM BILOSKI Director
 Treasurer

ENGLEHART AND DISTRICT HOSPITAL INC.

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 1,004,207	\$ 3,018,993
Short-term investments (note 2)	9,881	2,444
Accounts receivable (note 3)	576,460	310,702
Inventories	128,876	103,822
Prepaid expenses	37,079	37,630
	<u>1,756,503</u>	<u>3,473,591</u>
Restricted assets (note 4)	101,001	101,001
Capital assets (note 5)	5,228,899	4,955,025
	<u>\$ 7,086,403</u>	<u>\$ 8,529,617</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 2,098,210	\$ 3,646,638
Current portion of long-term debt (note 8)	21,179	19,944
	<u>2,119,389</u>	<u>3,666,582</u>
Long-term debt (note 8)	1,823	23,002
Employee post-retirement benefits (note 9)	166,630	166,288
Deferred capital contributions (note 10)	3,748,477	3,891,640
	<u>6,036,319</u>	<u>7,747,512</u>
Net assets	1,050,084	782,105
Contingencies (note 13)		
Subsequent event (note 16)		
	<u>\$ 7,086,403</u>	<u>\$ 8,529,617</u>

See accompanying notes to financial statements

ENGLEHART AND DISTRICT HOSPITAL INC.

Statement of Changes in Net Assets

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

	2020	2019
Net assets, beginning of year	\$ 782,105	\$ 135,339
Excess of revenue over expenses	267,979	646,766
Net assets, end of year	\$ 1,050,084	\$ 782,105

See accompanying notes to financial statements

ENGLEHART AND DISTRICT HOSPITAL INC.

Statement of Cash Flows

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

	2020	2019
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 267,979	\$ 646,766
Items not involving cash:		
Amortization of capital assets	548,223	430,722
Amortization of deferred capital contributions	(360,681)	(350,480)
Change in employee post-retirement benefits	342	3,348
	455,863	730,356
Change in non-cash working capital (note 11)	(1,838,689)	30,866
	(1,382,826)	761,222
Cash flows from capital activities:		
Acquisition of capital assets	(822,097)	(753,108)
Cash flows from financing activities:		
Increase in deferred capital contributions	217,518	424,948
Decrease in long-term debt	(19,944)	(18,787)
	197,574	406,161
Net increase (decrease) in cash and cash equivalents	(2,007,349)	414,275
Cash and cash equivalents, beginning of year	3,122,438	2,708,163
Cash and cash equivalents, end of year	\$ 1,115,089	\$ 3,122,438
Cash and cash equivalents are comprised of:		
Cash	\$ 1,004,207	\$ 3,018,993
Short-term investments (note 2)	9,881	2,444
Restricted assets (note 4)	101,001	101,001
	\$ 1,115,089	\$ 3,122,438

See accompanying notes to financial statements

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements

Year ended March 31, 2020

The Englehart and District Hospital Inc. (the "Hospital") is incorporated under the laws of Ontario. The Hospital is principally involved in providing health care services to the Central Temiskaming Region. 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.

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.

(a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

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 Ministry of Health (the "Ministry") and the North East Local Health Integration Network ("NELHIN"). 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 the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value.

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

Land improvements	5.0%
Buildings	2.5% - 20.0%
Furniture and equipment	7.0% - 33.0%
Service equipment	4.0% - 20.0%

In the year of acquisition, amortization is pro-rated based on the date of service.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized.

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in 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 employee benefit plan is 8.4 years.

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 Health Care of Ontario Pension Plan (the "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. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(e) 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 periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(f) Funding adjustments:

The Hospital receives grants from the NELHIN and MOH for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOH or NELHIN may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Contributed services:

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

(h) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, 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 financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

2. Short-term investments:

Short-term investments consist of a cashable escalating rate fixed-term guaranteed income certificate bearing escalating interest which varies from 0.75%- 2.00% over the term and matures in March 2025. The fair market value of the short-term investments is equal to their cost.

3. Accounts receivable:

	2020	2019
Patients and clients	\$ 136,460	\$ 82,990
Other	511,745	289,457
Allowance for doubtful accounts	(71,745)	(61,745)
	<u>\$ 576,460</u>	<u>\$ 310,702</u>

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Restricted assets:

Restricted assets consist of a cashable escalating rate fixed-term guaranteed income certificate bearing interest at an escalation of 0.75%-2.00% and maturing in March 2025. Restricted assets related to a donation provided to the Hospital on the condition that the original donation amount is preserved for a period of eight years, with the Hospital entitled to utilize the interest earned on the funds.

5. Capital assets:

2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 42,728	\$ —	\$ 42,728
Land improvements	403,403	285,645	117,758
Buildings and service equipment	7,423,080	4,062,265	3,360,815
Furniture and equipment	6,392,853	4,685,255	1,707,598
	<u>\$ 14,262,064</u>	<u>\$ 9,033,165</u>	<u>\$ 5,228,899</u>

2019	Cost	Accumulated Amortization	Net book Value
Land	\$ 42,728	\$ —	\$ 42,728
Land improvements	417,756	273,442	144,314
Buildings and service equipment	7,259,744	4,040,776	3,218,968
Furniture and equipment	6,996,173	5,627,492	1,368,681
Construction in progress	180,334	—	180,334
	<u>\$ 14,896,735</u>	<u>\$ 9,941,710</u>	<u>\$ 4,955,025</u>

6. Credit facilities:

The Hospital has arranged for a revolving demand loan of \$500,000 to be used for general operating purposes. The credit facility bears interest at the bank's prime rate less 0.85%. No amount was drawn on this facility at year-end (2019 - \$Nil).

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accrued liabilities:		
- NELHIN, MOH	\$ 24,834	\$ 35,715
- Other	1,182,618	2,958,929
Payroll accruals:		
- Salaries and wages	181,682	163,311
- Vacation pay and other entitlements	709,076	488,683
	<u>\$ 2,098,210</u>	<u>\$ 3,646,638</u>

8. Long-term debt:

	2020	2019
Long-term obligation, unsecured, payable in monthly instalments of \$1,832, bearing interest at 6%, final instalment due June 2021	\$ 23,002	\$ 42,946
Less: current portion of long-term debt	(21,179)	(19,944)
	<u>\$ 1,823</u>	<u>\$ 23,002</u>

Scheduled principal repayments are as follows:

2021	\$ 21,179
2022	1,823
	<u>\$ 23,002</u>

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for certain employees. The most recent valuation of the employee future benefits was completed as at March 31, 2018. The next full valuation of the plan will be as of March 31, 2021.

The accrued benefit obligation is recorded in the financial statements as follows:

	2020	2019
Balance, beginning of year	\$ 166,288	\$ 162,940
Add: Benefit costs	13,360	12,838
	179,648	175,778
Less: Benefit contributions	(13,018)	(9,490)
Balance, end of year	\$ 166,630	\$ 166,288

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

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

	2020	2019
Discount rate	3.29%	3.18%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	6.5%, decreasing annually by 0.5% thereafter to 5%	

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balance of donations and grants received for the purchase of capital assets. Details of the continuity of these funds are as follows:

	2020	2019
Balance, beginning of year	\$ 3,891,640	\$ 3,817,172
Additional contributions received	224,695	424,948
Less amounts amortized to revenue	(360,681)	(350,480)
Less transfer from deferred capital contributions	(7,177)	-
Balance, end of year	\$ 3,748,477	\$ 3,891,640

The deferred contributions related to capital assets consist of the following:

	2020	2019
Unamortized	\$ 3,547,248	\$ 3,560,414
Unspent	201,229	331,226
	\$ 3,748,477	\$ 3,891,640

11. Change in non-cash working capital:

	2020	2019
Accounts receivable	\$ (265,758)	\$ 203,425
Inventories	(25,054)	(10,974)
Prepaid expenses	551	13,138
Accounts payable and accrued liabilities	(1,548,428)	(174,723)
	\$ (1,838,689)	\$ 30,866

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions made to the plan during the year by the Hospital on behalf of its employees amounted to \$384,436 (2019 - \$312,235) and are included in employee benefits in the statement of operations.

13. Contingencies:

A group of healthcare institutions, including the Hospital, are members of the Health Care Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2020, no assessments have been received.

14. Financial risks and concentration of credit 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 credit risk with respect to accounts receivable and other 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.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2020, is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2019.

(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.

There have been no significant changes to the liquidity risk exposure from 2019.

15. Comparative information:

Certain comparative information have been reclassified to conform with the presentation adopted in 2020.

ENGLEHART AND DISTRICT HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Subsequent event:

Prior to the Hospital's year-end the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

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

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the 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 measures, the Hospital continues to experience decreases in operating revenues and increases in operating costs in the subsequent period. The Ministry has allowed the Hospital to redirect revenue from certain funded programs towards COVID-related costs incurred during the year ended March 31, 2020, and has also committed to providing additional funding for COVID-related operating and capital costs in the subsequent period.

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