

Consolidated Financial Statements of

**KIRKLAND AND DISTRICT HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Directors of Kirkland and District Hospital

### ***Opinion***

We have audited the financial statements of Kirkland and District 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 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.



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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.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 23, 2020

# KIRKLAND AND DISTRICT HOSPITAL



## Consolidated Statement of Operations

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

	2020	2019
<b>Revenue:</b>		
North East Local Health Integration Network and Ministry of Health	\$ 22,598,341	\$ 22,462,409
Patient services	911,199	790,487
Preferred accommodations	174,962	212,535
Other	3,030,518	3,050,241
Amortization - deferred capital contributions for equipment	252,420	211,670
	<u>26,967,440</u>	<u>26,727,342</u>
<b>Expenses:</b>		
Salaries and wages	13,644,274	12,987,445
Employee benefits	3,980,731	3,926,544
Medical staff remuneration	1,791,823	1,902,206
Drugs	932,563	1,433,176
Medical and surgical	463,890	488,744
Supplies and other	4,983,886	4,763,050
Amortization - equipment	716,006	720,261
	<u>26,513,173</u>	<u>26,221,426</u>
Excess of revenue over expenses for Ministry purposes	454,267	505,916
Amortization - deferred capital contributions for buildings, land improvements and building service equipment	493,343	471,001
Amortization - building, land improvements and building service equipment	(819,455)	(793,070)
Excess of revenue over expenses before undernoted items	128,155	183,847
<b>Specifically funded programs:</b>		
Revenue	119,462	118,402
Expenses	(119,462)	(118,402)
Excess of revenue over expenses - specifically funded programs	-	-
<b>Excess of revenue over expenses</b>	<b>\$ 128,155</b>	<b>\$ 183,847</b>

See accompanying notes to consolidated financial statements

On behalf of the Board:

 Director *BOARD CHAIR - Michel Moreau*  
 Director *Treasurer - Barry Ryan*

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 316,342	\$ -
Cash - restricted (note 10)	865,632	717,409
Accounts receivable (note 2)	1,116,063	1,582,421
Inventories	597,775	479,980
Prepayments	239,214	206,998
	<u>3,135,026</u>	<u>2,986,808</u>
Long-term receivables	402,000	370,000
Capital assets (note 3)	14,411,902	12,017,455
	<u>\$ 17,948,928</u>	<u>\$ 15,374,263</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Bank overdraft	\$ -	\$ 150,435
Accounts payable and accrued liabilities (note 5)	4,488,801	3,760,268
Current portion of long-term debt (note 6)	406,211	358,495
	<u>4,895,012</u>	<u>4,269,198</u>
Long-term debt (note 6)	1,383,324	369,283
Employee post-retirement benefits (note 7)	2,638,747	2,633,861
Deferred capital contributions (note 8)	7,780,186	6,978,417
	<u>16,697,269</u>	<u>14,250,759</u>
Net assets	1,251,659	1,123,504
Commitments (note 13)		
Contingencies (note 14)		
Subsequent event (note 16)		
	<u>\$ 17,948,928</u>	<u>\$ 15,374,263</u>

See accompanying notes to consolidated financial statements

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated Statement of Changes in Net Assets

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

	2020	2019
Net assets, beginning of year	\$ 1,123,504	\$ 939,657
Excess of revenue over expenses	128,155	183,847
Net assets, end of year	\$ 1,251,659	\$ 1,123,504

See accompanying notes to consolidated financial statements

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated 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	\$ 128,155	\$ 183,847
Adjustments for:		
Amortization of capital assets	1,535,461	1,513,331
Amortization of deferred capital contributions	(745,763)	(682,671)
Loss on sale of capital assets	7,547	46,033
Increase in employee post-retirement benefits	4,886	71,699
	930,286	1,132,239
Change in non-cash working capital (note 9)	1,044,880	(524,450)
	1,975,166	607,789
Cash flows from capital activities:		
Purchase of capital assets	(3,937,455)	(1,235,073)
Increase in deferred capital contributions	1,547,532	429,394
	(2,389,923)	(805,679)
Cash flows from financing activities:		
Proceeds of long-term debt	1,464,116	900,000
Repayment of long-term debt	(402,359)	(318,732)
	1,061,757	581,268
Cash flows from investing activities:		
(Increase) Decrease in long-term receivables	(32,000)	20,000
Net increase (decrease) in cash	615,000	403,378
Cash and cash equivalents, beginning of year	566,974	163,596
Cash and cash equivalents, end of year	\$ 1,181,974	\$ 566,974
Cash and cash equivalents is comprised of:		
Cash	\$ 316,342	\$ -
Bank overdraft	-	(150,435)
Restricted cash	865,632	717,409
	\$ 1,181,974	\$ 566,974

See accompanying notes to consolidated financial statements



# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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The Kirkland and District Hospital (the "Hospital") was incorporated under the laws of Ontario. The Hospital is principally involved in providing health care services to Kirkland Lake and the surrounding area. 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 consolidated 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.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 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 over their estimated useful lives at the following range of annual rates:

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

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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 consolidated 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. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (d) Related entities:

The notes to consolidated financial statements include information of the following entity (note 12):

Kirkland and District Hospital Foundation ("KDH Foundation")

### (e) 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 7 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.

### (f) Use of estimates:

The preparation of the consolidated 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 consolidated 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.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (g) 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 MOHLTC 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.

### (h) 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 consolidated financial statements.

### (i) Investment in Joint Venture:

The Hospital accounts for its interest in a joint venture using the proportionate consolidation method. These consolidated financial statements include the Hospital's proportionate share of any assets, liabilities, revenues and expenses of the joint venture.

### (j) Financial instruments:

All financial instruments are initially recorded on the consolidated 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 consolidated statement of operations.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 2. Accounts receivable:

	2020	2019
Patients and clients	\$ 306,248	\$ 233,038
Other	914,465	1,426,404
Allowance for doubtful accounts	(104,650)	(77,021)
	<u>\$ 1,116,063</u>	<u>\$ 1,582,421</u>

## 3. Capital assets:

2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 46,876	\$ —	\$ 46,876
Land improvements	663,815	532,431	131,384
Buildings and service equipment	22,351,892	13,716,317	8,635,575
Furniture and equipment	16,758,569	11,160,502	5,598,067
	<u>\$ 39,821,152</u>	<u>\$ 25,409,250</u>	<u>\$ 14,411,902</u>

2019	Cost	Accumulated Amortization	Net book Value
Land	\$ 46,876	\$ —	\$ 46,876
Land improvements	642,716	501,358	141,358
Buildings and service equipment	21,814,821	12,948,882	8,865,939
Furniture and equipment	13,704,132	10,740,850	2,963,282
	<u>\$ 36,208,545</u>	<u>\$ 24,191,090</u>	<u>\$ 12,017,455</u>

## 4. Bank indebtedness:

The Hospital has arranged for a revolving demand loan of \$1,500,000 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).

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 5. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accrued liabilities:		
- NELHIN, MOH	\$ 98,480	\$ 57,449
- Other	2,199,446	1,837,623
Payroll accruals:		
- Salaries and wages	1,233,391	898,402
- Vacation pay and other entitlements	842,847	834,124
Deferred revenue	114,637	132,670
	<u>\$ 4,488,801</u>	<u>\$ 3,760,268</u>

## 6. Long-term debt:

	2020	2019
Long-term obligation, unsecured, payable in monthly instalments of \$1,059, bearing interest at 2.269%, final instalment due July 2019	\$ -	\$ 4,218
Long-term obligation, unsecured, payable in monthly instalments of \$1,583, bearing interest at 2.146%, final instalment due December 2019	-	14,122
Long-term obligation, unsecured, payable in monthly instalments of \$1,743, bearing interest at 1.79%, final instalment due August 2021	29,240	49,438
Long-term obligation, unsecured, payable in monthly instalments of \$2,888, bearing interest at 2.55%, final instalment due October 2022	86,560	-
Long-term obligation, secured, payable in monthly instalments of \$3,132, bearing interest at 3.50%, final instalment due August 2024	133,735	-
Long-term obligation, unsecured, payable in quarterly instalments of \$80,000 without interest, final instalment due December 2027	1,540,000	660,000
	<u>1,789,535</u>	<u>727,778</u>
Current portion of long-term debt	(406,211)	(358,495)
	<u>\$ 1,383,324</u>	<u>\$ 369,283</u>

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 6. Long-term debt (continued):

Scheduled principal repayments are as follows:

2021	\$	406,211
2022		391,963
2023		370,732
2024		351,759
2025		268,870
	\$	1,789,535

## 7. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. 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 consolidated financial statements as follows:

	2020	2019
Balance, beginning of year	\$ 2,633,861	\$ 2,562,162
Add: Benefit costs	150,242	129,965
	2,784,103	2,692,127
Less: Benefit contributions	(145,356)	(58,266)
Balance, end of year	\$ 2,638,747	\$ 2,633,861

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%	

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 8. 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	\$ 6,978,417	\$ 7,231,694
Additional contributions received	1,547,532	429,394
Less amounts amortized to revenue	(745,763)	(682,671)
Balance, end of year	\$ 7,780,186	\$ 6,978,417

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

	2020	2019
Unamortized	\$ 7,735,696	\$ 6,969,317
Unspent	44,490	9,100
	\$ 7,780,186	\$ 6,978,417

## 9. Change in non-cash working capital:

	2020	2019
Accounts receivable	\$ 466,358	\$ (182,531)
Inventories	(117,795)	(38,167)
Prepaid expenses	(32,216)	4,375
Accounts payable and accrued liabilities	728,533	(308,127)
	\$ 1,044,880	\$ (524,450)

## 10. Restricted cash:

Restricted cash consists of proceeds from fundraising initiatives in which the funds have been set aside for specific purposes.

## 11. Pension plan:

Substantially all of the employees of the Hospital are members of the Health Care of Ontario Pension Plan (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 \$1,099,115 (2019 - \$1,131,270) and are included in employee benefits in the statement of operations.



# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 12. Related entity:

The Hospital has an economic interest in the KDH Foundation. The KDH Foundation was created for the purposes of promoting and participating in fundraising programs in order to raise money for capital projects, training and medical research. During the year, the Hospital received donations amounting to \$715,547 (2019 - \$21,379).

## 13. Commitments:

Kirkland District Family Health Team:

The Hospital has agreed to fund one-half of the annual operating deficit of the Kirkland District Family Health Team ("KDFHT"). During the current year, the Hospital was not required to contribute towards the operations of the KDFHT (2019 - \$Nil).

## 14. Contingencies:

### (a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

### (b) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

### (c) Insurance:

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.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 15. 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.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

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

## 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; and
- 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;

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.