

Strathroy Middlesex General Hospital  
Financial Statements  
For the year ended March 31, 2019

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Financial Statements  
For the year ended March 31, 2019

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## Independent Auditor's Report

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To the Board of Directors  
Strathroy Middlesex General Hospital

### Opinion

We have audited the financial statements of Strathroy Middlesex General Hospital (the Entity), which comprise the statements of financial position as at March 31, 2019, and the statement of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity 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 and Those Charged with Governance 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 for government 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### Auditor's 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 auditor's 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 these 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.

We 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario

July 24, 2019

## Strathroy Middlesex General Hospital Statement of Financial Position

March 31 2019 2018

### Assets

#### Current

Cash	\$ 5,414,834	\$ 6,291,244
Accounts receivable (Note 17)	928,177	1,818,622
Inventory (Note 4)	113,882	100,381
Prepaid expenses	431,268	498,048
	6,888,161	8,708,295

Capital assets (Note 5)	24,032,041	21,667,614
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	\$ 30,920,202	\$ 30,375,909
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### Liabilities and Net Assets



#### Current

Accounts payable and accrued liabilities (Note 3)	\$ 5,026,134	\$ 6,646,451
Current portion of long-term debt (Note 8)	171,335	95,444
Current portion of obligation under capital lease (Note 9)	26,979	54,084
	5,224,448	6,795,979

Deferred contributions relating to capital assets (Note 7)	21,807,160	19,897,862
Post-employment benefits (Note 10)	860,000	912,300
Obligation under capital lease (Note 9)	42,719	17,617
Long-term debt (Note 8)	653,724	278,377
	28,588,051	27,902,135

Net assets Unrestricted	2,332,151	2,473,774
	\$ 30,920,202	\$ 30,375,909

On behalf of the Board of Directors:

	Director
	Director

The accompanying notes are an integral part of these financial statements.

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Strathroy Middlesex General Hospital  
Statement of Changes in Net Assets

For the year ended March 31	2019	2018
Balance, beginning of year	\$ 2,473,774	\$ 2,613,448
Deficiency of revenues over expenditures	<u>(141,623)</u>	<u>(139,674)</u>
Balance, end of year	<u>\$ 2,332,151</u>	<u>\$ 2,473,774</u>

The accompanying notes are an integral part of these financial statements.

## Strathroy Middlesex General Hospital Statement of Operations

For the year ended March 31	2019	2018
<b>Revenue</b>		
Ministry of Health and Long-Term Care	\$33,817,272	\$ 32,866,610
Patient revenues	3,035,081	2,852,843
Differential and co-payment	399,966	372,903
Recoveries and miscellaneous	3,251,158	3,070,588
Amortization of deferred capital contributions, equipment	676,494	646,471
Other votes (Note 19)	11,550	11,550
	41,191,521	39,820,965
<b>Expenses</b>		
Salaries and wages	18,649,142	18,122,019
Employee benefits	4,452,718	4,294,275
Employee future benefits (Note 10)	12,200	52,000
Medical staff payments	5,699,601	5,425,476
Supplies and other expenses	6,830,982	6,446,581
Medical and surgical supplies	3,455,020	3,436,041
Drugs	733,802	776,295
Amortization - equipment (Note 5)	1,352,813	1,236,988
Other votes (Note 19)	11,550	11,550
	41,197,828	39,801,225
Operating excess of revenue over expenses	(6,307)	19,740
<b>Other</b>		
Amortization of deferred capital contributions, building	1,168,588	927,387
Amortization of buildings and land improvements (Note 5)	(1,303,904)	(1,086,801)
	(135,316)	(159,414)
Deficiency of revenue over expenses	\$ (141,623)	\$ (139,674)

The accompanying notes are an integral part of these financial statements.



**Strathroy Middlesex General Hospital**  
**Statement of Cash Flows**

For the year ended March 31	2019	2018
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses	\$ (141,623)	\$ (139,674)
Items not involving cash		
Amortization	2,656,717	2,323,789
Gain (loss) on disposal of capital assets	45,516	(9,910)
Amortization of deferred contributions relating to capital assets	(1,845,082)	(1,573,858)
(Decrease) increase in post-employment benefits liability	(52,300)	11,500
	<u>663,228</u>	<u>611,847</u>
Net changes in non-cash working capital balances:		
Accounts receivable	890,445	(578,847)
Inventory	(13,501)	(11,626)
Prepaid expenses	66,780	(140,438)
Accounts payable and accrued liabilities	(1,620,317)	(163,244)
	<u>(13,365)</u>	<u>(282,308)</u>
Capital activities		
Purchase of capital assets	(5,023,733)	(4,803,323)
Proceeds on disposal of capital assets	18,798	11,966
Contributions received for capital assets	3,754,380	4,735,201
	<u>(1,250,555)</u>	<u>(56,156)</u>
Financing activities		
Payments on capital lease	(63,727)	(51,911)
Proceeds from long-term debt	646,567	-
Repayment of long-term debt	(195,330)	(104,313)
	<u>387,510</u>	<u>(156,224)</u>
Decrease in cash and equivalents during the year	(876,410)	(494,688)
Cash and equivalents, beginning of year	<u>6,291,244</u>	<u>6,785,932</u>
Cash and equivalents, end of year	<u>\$ 5,414,834</u>	<u>\$ 6,291,244</u>

The accompanying notes are an integral part of these financial statements.



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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies

Nature of Organization	<p>Strathroy Middlesex General Hospital (the "Hospital") provides health care services to the residents of Strathroy and surrounding areas. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada).</p> <p>The Hospital is a non-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).</p>
Basis of Accounting	<p>The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Strathroy Middlesex General Hospital Foundation is a separate entity whose financial information is reported separately from the hospital.</p>
Contributed Services	<p>Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.</p>
Revenue Recognition	<p>The Hospital follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>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 and Long-term Care ("MOHLTC"), and the South West Local Health Integration Network ("SW LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2019 with the MOHLTC and SW LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOHLTC/SW LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.</p>

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies (continued)

Revenue Recognition (continued) If the Hospital does not meet its performance standards or obligations, the MOHLTC/SW LHIN has the right to adjust funding received by the Hospital. The Ministry/SW LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after completion of the financial statements, the amount of MOHLTC/SW LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to future period, it is deferred and recognized in that subsequent period.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the SW LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

The revenues from government volume-based services and from chargeable-to-patient activities are recognized when the services are provided/performed.

Inventory Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of pharmaceuticals that are used in the Hospital's operations and not for sale purposes.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies (continued)

#### Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Building and related service equipment	5 - 40 years
Major equipment	3 - 20 years
Properties for future expansion	20 years

#### Retirement and Post-Employment Benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies (continued)

Pension Plan	The Hospital participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Hospital accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.
Financial Instruments	<p>The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:</p> <p>Fair value This category includes cash.</p> <p>Amortized cost This category includes accounts receivable, accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.</p> <p>Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.</p> <p>Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.</p>
Management Estimates	The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the 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. Areas of key estimation include determination of the allowance for doubtful accounts, actuarial estimation of post-employment benefits, and amortization of capital assets and deferred revenue.

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Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

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1. Significant Accounting Policies (continued)

Leases Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized over its estimated useful life. Obligations under capital lease are reduced by lease payments net of imputed interest.

Leases not meeting certain criteria are accounted for as operating leases. These costs are expensed according to the period for which they relate.

MOHLTC and SW LHIN Funding Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOHLTC and SW LHIN. The financial statements reflect agreed funding arrangements approved by the MOHLTC and SW LHIN with respect to the year ended March 31, 2019.

Vacation Pay Vacation pay is accrued for all employees as entitlement is earned.

Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

2. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value shown below.

	2019			2018		
	Fair Value	Amortized Cost	Total	Fair Value	Amortized Cost	Total
Cash	\$5,414,834	\$ -	\$5,414,834	\$6,291,244	\$ -	\$6,291,244
Accounts receivable	-	928,177	928,177	-	1,818,622	1,818,622
Accounts payable and accrued liabilities	-	5,026,134	5,026,134	-	6,646,451	6,646,451
Long-term debt	-	825,059	825,059	-	373,821	373,821
	<u>\$5,414,834</u>	<u>\$6,779,370</u>	<u>\$12,194,204</u>	<u>\$6,291,244</u>	<u>\$8,838,894</u>	<u>\$15,130,138</u>

The cash is a level 1 fair value measurement which are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

3. Accounts Payable and Accrued Liabilities

	2019	2018
Ministry of Health and Long-term Care	\$ 1,173,488	\$ 1,036,060
Trade	496,289	584,502
Wages and other accruals	3,356,357	5,025,889
	<u>\$ 5,026,134</u>	<u>\$ 6,646,451</u>

4. Inventory

	2019	2018
Pharmacy inventory	<u>\$ 113,882</u>	<u>\$ 100,381</u>

Inventory is carried at cost, which exceeds net realizable value.

Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

5. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 92,528	\$ -	\$ 92,528	\$ -
Building and related service equipment	41,682,355	22,279,983	36,856,233	20,976,078
Major equipment	23,753,842	20,233,432	22,524,000	19,384,376
Construction in progress	1,016,731	-	2,555,307	-
	<u>\$66,545,456</u>	<u>\$42,513,415</u>	<u>\$ 62,028,068</u>	<u>\$ 40,360,454</u>
Net book value		<u>\$24,032,041</u>		<u>\$ 21,667,614</u>

The amortization charge for the year is as follows:

	2019	2018
Building	\$ 1,303,904	\$ 1,086,801
Equipment	1,352,813	1,236,988
	<u>\$ 2,656,717</u>	<u>\$ 2,323,789</u>

Included in major equipment is equipment under capital lease with a cost of \$318,856 (2018 - \$254,665) and accumulated amortization of \$265,363 (2018 - \$203,732). Amortization expense includes amortization on equipment under capital lease of \$61,631 (2018 - \$50,933).

Capital asset additions in 2019 amounted to \$4,830,709 in building and related service equipment, \$1,794,636 in major equipment and \$3,956,495 in construction in progress, totaling \$10,581,840. There were transfers of \$5,495,071 from construction in progress and asset retirements of \$564,138 in major equipment.

6. Bank Indebtedness

As at March 31, 2019, the Hospital had \$6,000,000 in available credit (2018 - \$2,500,000), consisting of a \$5,000,000 operating line (2018 - \$1,500,000) and \$1,000,000 (2018 - \$1,000,000) in available transfers from Four Counties Health Services. At year end, there were no draws on the operating line and \$546,682 was drawn from Four Counties Health Services.



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Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

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7. Deferred Contributions Relating to Capital Assets

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

	2019	2018
Balance, beginning of year	\$19,897,862	\$ 16,736,519
Contributions received	3,754,380	4,735,201
Amortized to revenue	(1,845,082)	(1,573,858)
Balance, end of year	\$21,807,160	\$ 19,897,862

As at March 31, 2019 there was \$471,349 (2018 - \$610,596) of deferred capital contributions received which were not spent.

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8. Long-term Debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2019	2018
Equipment loan - 0% interest, due February 2022, repayable in monthly installments of \$7,954, secured by operating room equipment with a carrying value of \$194,495	\$ 278,377	\$ 373,821
Equipment loan - 3% interest, due November 2025, repayable in monthly installments of \$7,584, unsecured	546,682	-
	825,059	373,821
Less: current portion	\$ 171,335	\$ 95,444
	\$ 653,724	\$ 278,377

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Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

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8. Long-term Debt (continued)

Principal repayments required on long-term debt over the next five years are as follows:

Year	Amount
2020	\$ 171,335
2021	173,393
2022	167,811
2023	82,764
2024	85,281
Thereafter	<u>144,475</u>
	<u>\$ 825,059</u>

Amounts to be recovered from the Strathroy Middlesex General Hospital Foundation over the next four years in relation to the equipment loan disclosed above are as follows:

Year	Amount
2020	\$ 171,335
2021	173,393
2022	167,811
2023	82,764
2024	85,281
Thereafter	<u>144,475</u>
	<u>\$ 825,059</u>

Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

9. Obligation Under Capital Lease

	2019	2018
Obligation under capital lease - 2.87%, due November 2019, repayable in semi-annual installments of \$12,726 principal and interest	\$ 12,548	\$ 37,112
Obligation under capital lease - 5.17% due May 2019, repayable in monthly installments of \$1,309 principal and interest	2,602	34,590
Obligation under capital lease - 6.25% due May 2023, repayable in monthly installments of \$1,242 principal and interest	54,548	-
	69,698	71,702
Less current portion	26,979	54,084
	\$ 42,719	\$ 17,618

Obligations under capital lease are secured by specific digital imaging equipment.

Principal payments required on obligations under capital lease for the next two years are as follows:

Year		Amount
2020	\$	26,980
2021		12,591
2022		13,400
2023		14,262
2024		2,465
	\$	69,698

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Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

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10. Post-Employment Benefits

Retirement Benefits

The Healthcare of Ontario Pension Plan (HOOPP) has substantially all of the full-time employees enrolled in it. On October 1, 2015, all part-time and non-full-time employees became eligible to join the Plan immediately. Some of the part-time employees are enrolled into HOOPP. Contributions to the plan made during the year by the Hospital on behalf of these employees amounted to \$1,717,160 (2018 - \$1,672,480). Contributions to the plan made during the year by the employees amounted to \$1,362,824 (2018 - \$1,327,364). These are included in the "Employee Benefits" section of the Statement of Operations. For 2019, the Hospital had a liability of \$288,531 (2018 - \$277,713), associated with the Pension Plan.

As a result of restructuring and staff reductions, early retirement packages have been made available to eligible Hospital employees. Eligible full-time employees who opted for early retirement received a continuation of their current health care benefits, up to the age of 65.

The Hospital also pays 50% of the premiums for health and dental benefits of the Ontario Nurses' Association (ONA) members that retired after April 1, 2011, from the date of retirement until the individual reaches the age of 65.

The "Employee future benefit" liability is actuarially determined using the projected accrued benefit cost method, pro-rata on service, and reflects Management's best estimate of future cost trends associated with such benefits and interest rates. The Plan amendments are amortized over the expected average remaining service to full eligibility of the active employees. The cumulative gains and losses in excess of 10% of the beginning of the year accrued benefit obligation are amortized over the expected average remaining service to the expected retirement age of active employees (10.3 years).

Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

10. Post-Employment Benefits (continued)

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2019, is as follows:

	2019	2018
Accrued benefit obligation	\$606,000	\$588,700
Less unamortized losses:		
Unamortized past service costs	-	-
Unamortized net actuarial (gain)/loss	254,000	323,600
Accrued Benefit Liability - End of Year	\$860,000	\$ 912,300

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

Discounted rate:	
Beginning of year	3.37%
End of year	3.18%
Weighted average health care trend rate	
Initial	6.2%
Ultimate	4.0%
Year "Ultimate" reached	2038

The actuarial valuation is for the period April 1, 2018 through March 31, 2019. Included in Employee Benefits on the Statement of Operations is an amount of \$12,200 (2018: \$52,000) related to employee future benefits.

	2019	2018
Current Year Benefit cost:	\$ 24,200	\$ 32,800
Interest on accrued benefit obligation	19,900	28,700
Amortized actuarial loss	(31,900)	(9,500)
Total Expense	\$12,200	\$ 52,000

Above amounts exclude pension contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer plan, described above.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2019

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### 11. Related Entities

#### a) Strathroy Middlesex General Hospital Foundation

The Strathroy Middlesex General Hospital Foundation is a separate legal entity. The Foundation raises funds for capital acquisition and other related purposes of the Hospital. The Foundation is incorporated under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

At March 31, 2019, the Hospital has a receivable from the Foundation of \$2,746 (2018 - \$772,106).

During the year, the Foundation transferred \$520,877 (2018 - \$642,373) to the Hospital to be used for the purchase of capital assets and \$619,790 (2018 - \$509,945) for operations (education and capital lease).

#### b) Strathroy Middlesex General Hospital Auxiliary

The Auxiliary is an ancillary volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the Hospital and the community.

#### c) Four Counties Health Services

Strathroy Middlesex General Hospital is related to Four Counties Health Services as they are controlled by the same Board of Directors. Staff resources are shared by the hospital. During the year, Strathroy Middlesex General Hospital recovered remuneration of \$1,318,129 (2018 - \$1,363,250) from Four Counties Health Services, and reimbursed Four Counties Health Services \$276,369 (2018 - \$277,504) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase. At March 31, 2019, \$183,283 (2018 - \$135,155) was included in accounts receivable and \$34,045 (2018 - \$47,694) was included in accounts payable, relating to balances owing from/to Four Counties Health Services.

During the year, \$646,567 has been advanced from Four Counties Health Services for the purchase of a new Radiology Suite. The loan is recorded at amortized cost and payments in the year amounted to \$105,000 including \$5,114 for interest. See note 8 for more details.

All transactions between Strathroy Middlesex General Hospital and its related parties are recorded at cost.

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### 12. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2018 (2018 - 83%) from the SW LHIN and Ministry of Health and Long-Term Care.

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## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2019

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#### 13. Capital Management

The Hospital's primary objective when managing capital is to safeguard the entity's ability to deliver comprehensive family-centred patient care in a rural and community-focused health service setting in collaboration and integration with our healthcare partners. The Hospital defines its capital as its cash and net assets, both restricted and unrestricted.

The Hospital monitors its cash position on a weekly basis and reviews the current ratio and working capital position on a monthly basis.

The Hospital manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Strathroy Middlesex General Hospital Foundation provides the annual capital equipment support, which is paid on a predetermined basis during the fiscal year. In order to adjust the capital structure the Hospital may sell or purchase investments, utilize the approved operating line of credit, or any advances from the SW LHIN. Longer term borrowing arrangements with financial institutions are also in place.

There have been no changes in what the Hospital defines as capital, or the objectives, policies and procedures for managing capital, in the year.



Strathroy Middlesex General Hospital  
Notes to Financial Statements

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14. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires that the Hospital disclose in its annual statement, the amount of salary and benefits paid in excess of \$100,000.

For the Calendar year, 2019:	Salary	Taxable benefits
Todd Stepanuik, President and Chief Executive Officer	\$225,697	\$964
Rosemary Frketich, Vice President Clinical Services/ Chief Nursing Officer	\$129,014	\$605
Lorne Campbell, Finance Manager	\$101,820	\$486
Marianne Lewis, Registered Nurse	\$120,486	\$577
Nancy Switzer, Registered Nurse	\$115,037	\$527
Gale Zottl, Registered Nurse	\$134,361	\$nil
Carolyn Holmes, Registered Nurse	\$100,237	\$430
Keri Jones, Registered Nurse	\$101,854	\$565
Lisa Mcleod-Seeley, Registered Nurse	\$102,156	\$439
Jaime Moniz, Registered Nurse	\$105,981	\$450
Dawn Wolfs, Registered Nurse	\$103,719	\$452
Maureen Loft, Clinical Nurse Specialist/ Nurse Practitioner	\$115,609	\$548
Cheryl Henderson-Barnes, Patient Care Manager	\$106,005	\$505
Kimberly Jenkins, Site Director/ Patient Care Manager	\$117,132	\$561

Generally, the Act defines salary as the amount received by an employee required by the Income Tax Act (Canada) and defines benefits as amounts reported to Revenue Canada, Taxation, under the Income Tax Act (Canada).

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Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

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15. Contingencies and Commitments

The Hospital has been named defendant in certain legal actions. The final liability, if any, of these claims is indeterminable as the Hospital has established defense actions and further, in the opinion of legal counsel and the Hospital's insurance adjustors, should any claim be successful, it would be subject to material coverage by the hospital's policies of insurance. See Note 18 regarding HIROC contingencies.

The Hospital is committed under an equipment lease agreement for rental of a CT scanner. Monthly payments of \$8,300 commenced in fiscal 2018, and will continue until fiscal 2024, when the lease term ends. The Strathroy Middlesex General Hospital Foundation has committed to fund the equipment lease through transfers to the Hospital.

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16. Supplementary Information

Additional cash flow information is as follows:

	2019	2018
Interest paid in the year	\$ 4,761	\$ 4,158
Interest received in the year	75,986	60,868

Strathroy Middlesex General Hospital  
Notes to Financial Statements

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17. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. 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. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2018 - \$100,000).

Accounts receivable is primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collection. The amounts outstanding at year end were as follows:

	Total	Current	Past Due			
			31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 58,136	\$ 42,425	\$ 6,363	\$ 3,438	\$ 5,670	\$ 240
Outpatients	59,691	44,571	8,039	1,845	1,275	3,961
OHIP	301,393	289,217	6,529	2,304	1,956	1,387
Miscellaneous	533,957	533,910	18	5	-	24
Gross receivables	953,177	910,123	20,949	7,592	8,901	5,612
Less: impairment allowances	(25,000)	(25,000)	-	-	-	-
Net receivables	\$ 928,177	\$ 885,123	\$ 20,949	\$ 7,592	\$ 8,901	\$ 5,612

The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit quality of debtors and their past history of payment.

Strathroy Middlesex General Hospital  
Notes to Financial Statements

March 31, 2019

17. Financial Instrument Risk Management (continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is 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: Interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is exposed to this risk through its capital lease obligation.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity rate risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	6 months	6 months to 1 year	1 - 5 years
Accounts payable	\$ 5,026,134	\$ -	\$ -
Long-term debt	85,668	85,668	597,124
	<u>\$ 5,111,802</u>	<u>\$ 85,668</u>	<u>\$ 597,124</u>

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Strathroy Middlesex General Hospital  
Notes to Financial Statements

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18. HIROC

On July 1, 1987, a group of health care organizations, (“subscribers”), formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to current date.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

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19. Other Votes

Other votes reflects a separate funding stream from the MOHLTC/SW LHIN for programs not typically part of the base, QBP, Wait Time, or HBAM funding. Other votes consists of the funding and related expenses for municipal taxes.