

Strathroy Middlesex General Hospital
Financial Statements
For the year ended March 31, 2021

Strathroy Middlesex General Hospital
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For the year ended March 31, 2021

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Independent Auditor's Report

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, 2021, 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, 2021, 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

June 23, 2021

Strathroy Middlesex General Hospital Statement of Financial Position

March 31 2021 2020

Assets

Current

Cash	\$ 7,116,300	\$ 6,261,656
Accounts receivable (Note 3)	2,818,352	1,353,128
Inventory (Note 6)	105,138	111,348
Prepaid expenses	535,160	393,613
	10,574,950	8,119,745

Capital assets (Note 7)

	23,651,365	24,340,662
	\$ 34,226,315	\$ 32,460,407

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 7,620,330	\$ 5,982,187
Current portion of long-term debt (Note 10)	233,292	237,016
Current portion of obligation under capital lease (Note 11)	16,806	12,591
	7,870,428	6,231,794

Deferred contributions relating to capital assets (Note 9)

Post-employment benefits (Note 12)	22,007,425	22,312,885
Obligation under capital lease (Note 11)	1,015,300	809,700
Long-term debt (Note 10)	24,594	30,127
	413,296	660,426
	31,331,043	30,044,932

Net assets

Unrestricted	2,895,272	2,415,475
	\$ 34,226,315	\$ 32,460,407

On behalf of the Board of Directors:



Director



Director

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

Strathroy Middlesex General Hospital
Statement of Changes in Net Assets

For the year ended March 31	2021	2020
Balance, beginning of year	\$ 2,415,475	\$ 2,332,151
Revenues (deficiencies) over expenditures	<u>479,797</u>	<u>83,324</u>
Balance, end of year	<u>\$ 2,895,272</u>	<u>\$ 2,415,475</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	2021	2020
Revenue		
Ministry of Health and Long-Term Care (Note 4)	\$ 38,831,426	\$ 34,906,815
Patient revenues	3,197,992	3,205,174
Differential and co-payment	92,888	392,006
Recoveries and miscellaneous	2,751,518	3,482,508
Amortization of deferred capital contributions, equipment	549,194	523,378
Other votes (Note 20)	11,550	11,550
	45,434,568	42,521,431
Expenses		
Salaries and wages	21,130,014	19,278,668
Employee benefits	4,884,844	4,670,633
Employee future benefits (Note 12)	262,000	17,200
Medical staff payments	6,729,508	6,188,819
Supplies and other expenses	7,117,262	7,051,013
Medical and surgical supplies	3,178,790	3,371,024
Drugs	625,479	741,594
Amortization - equipment (Note 7)	870,333	952,183
Other votes (Note 20)	11,550	11,550
	44,809,780	42,282,684
Operating excess of revenue over expenses	624,788	238,747
Other		
Amortization of deferred capital contributions, building	1,351,640	1,332,770
Amortization of buildings and land improvements (Note 7)	(1,496,631)	(1,488,193)
	(144,991)	(155,423)
Revenues (deficiencies) over expenses	\$ 479,797	\$ 83,324

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	2021	2020
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses	\$ 479,797	\$ 83,324
Items not involving cash		
Amortization of capital assets (Note 7)	2,366,964	2,440,376
Amortization of deferred contributions relating to capital assets (Note 9)	(1,900,834)	(1,856,148)
(Gain) loss on disposal of capital assets	(3,472)	2,558
Increase (decrease) in post-employment benefits liability	205,600	(50,300)
	<u>1,148,055</u>	<u>619,810</u>
Net changes in non-cash working capital balances:		
Accounts receivable	(1,465,224)	(424,951)
Inventory	6,210	2,534
Prepaid expenses	(141,547)	37,655
Accounts payable and accrued liabilities	1,638,143	956,053
	<u>1,185,637</u>	<u>1,191,101</u>
Capital activities		
Purchase of capital assets	(1,683,774)	(2,751,554)
Proceeds on disposal of capital assets	9,578	-
Contribution received for capital assets	1,595,374	2,361,873
	<u>(78,822)</u>	<u>(389,681)</u>
Financing activities		
Proceeds from capital lease	14,133	-
Payments on capital lease	(15,450)	(26,980)
Proceeds from long-term debt	-	322,038
Repayment of long-term debt	(250,854)	(249,656)
	<u>(252,171)</u>	<u>45,402</u>
Increase in cash and equivalents during the year	854,644	846,822
Cash and equivalents, beginning of year	6,261,656	5,414,834
Cash and equivalents, end of year	\$ 7,116,300	\$ 6,261,656
Supplemental Disclosure of Cash Flow Information:		
Interest paid in the year	\$ 24,139	\$ 23,007
Interest received in the year	47,917	98,039

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

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature of Organization

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).

The Hospital is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Accounting

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.

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, amortization of capital assets and deferred revenue and significant revenue accruals for pandemic funding (Note 4).

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, 2021.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Revenue Recognition

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

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 2021 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.

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.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair value

This category includes cash.

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.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

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.

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.

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.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Capital Assets (continued) 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
Buildings for future expansion	20 years

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.

Contributed Services 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.

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.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

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.

Vacation Pay

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

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

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.

	Fair Value	Amortized Cost	Total
March 31, 2021			
Cash	\$7,116,300	\$ -	\$7,116,300
Accounts receivable	-	2,818,352	2,818,352
Accounts payable and accrued liabilities	-	7,620,330	7,620,330
Long-term debt	-	646,588	646,588
	\$7,116,300	\$ 11,085,270	\$ 18,201,570
March 31, 2020			
Cash	\$ 6,261,656	\$ -	6,261,656
Accounts receivable	-	1,353,128	1,353,128
Accounts payable and accrued liabilities	-	5,982,187	5,982,187
Long-term debt	-	897,441	897,441
	\$ 6,261,656	\$ 8,232,756	\$14,494,412

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.

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2021

3. Accounts Receivable

	Total	Current	Past Due			
			31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 12,360	\$ 5,770	\$ 1,635	\$ 3,105	\$ 630	\$ 1,220
Outpatients	55,950	40,487	9,224	4,912	198	1,129
OHIP	398,912	347,118	50,180	387	807	420
MOHLTC	1,708,690	1,708,690	-	-	-	-
Miscellaneous	667,440	666,825	469	146	-	-
Gross receivables	2,843,352	2,768,890	61,508	8,550	1,635	2,769
Less: Impairment allowances	(25,000)	(25,000)	-	-	-	-
Net receivables	\$2,818,352	\$2,743,890	\$ 61,508	\$ 8,550	\$ 1,635	\$ 2,769

Included in the MOHLTC balance is \$1,151,593 of funding relating to additional Ministry funding to alleviate the cost pressures and lost revenues relating to COVID-19 (Note 4).

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

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

4. COVID-19 Ministry of Health Funding

In response to the ongoing COVID-19 pandemic, the MOH has announced funding programs to assist hospitals with incremental operating and capital costs and revenue decreases as a result of COVID-19. Additionally, as part of the broad based funding reconciliation, the MOH is allowing hospitals to reallocate surplus funding that otherwise would have been repayable from certain programs to offset budget constraints created by COVID-19. The Hospital has claimed the amounts for each funding program in the year:

	Received	Accrued	Total
Incremental Expense Reimbursement	\$ 774,716	\$ 655,859	\$ 1,430,575
Lost Non-Ministry Revenue	-	495,734	495,734
Unearned Funding	-	1,395,937	1,395,937
	\$ 774,716	\$ 2,547,530	\$ 3,322,246

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. The guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the MOH revenue related to COVID-19.

The amount accrued by management for each funding program is based on the financial results of the Hospital for the year, taking into account additional COVID-related cost pressures. The funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during the period may be increased or decreased in subsequent periods.

At the date of the approval of these financial statements, the amount of total funding is estimated at \$3,322,246 with \$1,151,593 (Note 3) to be received subsequent to year-end for incremental expenses and lost non-Ministry revenues, and \$1,395,937 of unearned funding to be recognized as revenue. The funding amounts have been recognized as one-time funding and are included in the MOHLTC revenue line of the Statement of Operations.

5. Accounts Payable and Accrued Liabilities

	2021	2020
Ministry of Health and Long-term Care	\$ 2,727,873	\$ 1,391,170
Trade	404,919	482,567
Wages and other accruals	4,487,538	4,108,450
	\$ 7,620,330	\$ 5,982,187

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2021

6. Inventory

	2021	2020
Pharmacy inventory	<u>\$ 105,138</u>	<u>\$ 111,348</u>

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

7. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 92,528	\$ -	\$ 92,528	\$ -
Building and related service equipment	45,350,466	25,264,807	45,000,956	23,768,175
Major equipment	24,621,730	21,930,269	24,137,720	21,122,367
Construction in progress	781,717	-	-	-
	<u>\$ 70,846,441</u>	<u>\$ 47,195,076</u>	<u>\$ 69,231,204</u>	<u>\$ 44,890,542</u>
Net book value		<u>\$ 23,651,365</u>		<u>\$ 24,340,662</u>

The amortization charge for the year is as follows:

	2021	2020
Building	\$ 1,496,631	\$ 1,488,193
Equipment	<u>870,333</u>	<u>952,183</u>
	<u>\$ 2,366,964</u>	<u>\$ 2,440,376</u>

Included in major equipment is equipment under capital lease with a cost of \$78,324 (2020 - \$64,191) and accumulated amortization of \$39,319 (2020 - \$23,537). Amortization expense includes amortization on equipment under capital lease of \$15,782 (2020 - \$12,838).

Capital asset additions in 2021 amounted to \$332,377 (2020 - \$3,066,264) in building and related service equipment, \$553,101 (2020 - \$448,867) in major equipment, \$1,653,367 (2020 - \$2,557,782) in construction in progress, and \$nil in land improvements (2020 - \$239,284), totaling \$2,538,845 (2020 - \$6,072,913). There were transfers of \$871,650 (2020 - \$3,558,646) from construction in progress and asset retirements of \$69,091 (2020 - \$69,431) in major equipment.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

8. Bank Indebtedness

As at March 31, 2021, the Hospital had \$8,000,000 in available credit (2020 - \$6,000,000), consisting of a \$7,000,000 operating line (2020 - \$5,000,000) and \$1,000,000 (2020 - \$1,000,000) in available transfers from Four Counties Health Services. At year end, there were no draws on the operating line and \$559,099 (2020 - \$714,508) was drawn from Four Counties Health Services.

9. 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.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 22,312,885	\$ 21,807,160
Contributions received	1,595,374	2,361,873
Amortized to revenue	<u>(1,900,834)</u>	<u>(1,856,148)</u>
Balance, end of year	<u>\$ 22,007,425</u>	<u>\$ 22,312,885</u>

As at March 31, 2021 there was \$1,183,370 (2020 - \$713,234) of deferred capital contributions received which were not spent.

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2021

10. Long-term Debt

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

	2021	2020
Equipment loan - 0% interest, due February 2022, repayable in monthly installments of \$7,954, secured by operating room equipment with a carrying value of \$Nil.	\$ 87,490	\$ 182,934
Equipment loan - 3% interest, due September 2025, repayable in monthly installments of \$7,584, unsecured	364,620	457,185
Equipment loan - 3% interest, due March 2024, repayable in monthly installments of \$5,787, unsecured	194,478	\$ 257,323
	646,588	897,442
Less: current portion	\$ 233,292	\$ 237,016
	\$ 413,296	\$ 660,426

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

Year	Amount
2022	\$ 233,292
2023	150,101
2024	149,740
2025	88,818
2026	24,637
	\$ 646,588

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

Year	Amount
2022	\$ 233,292
2023	150,101
2024	149,740
2025	88,818
2026	24,637
	\$ 646,588

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2021

11. Obligation Under Capital Lease

	2021	2020
Obligation under capital lease - 6.25% due May 2023, repayable in monthly installments of \$1,242 principal and interest	30,127	42,718
Obligation under capital lease - 4.90% due May 2024, repayable in monthly installments of \$324 principal and interest	11,273	-
	41,400	42,718
Less current portion	16,806	12,591
	\$ 24,594	\$ 30,127

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

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

Year	Amount
2022	16,806
2023	17,838
2024	6,220
2025	536
	\$ 41,400

12. 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 \$1,867,162 (2020 - \$1,777,209). Contributions to the plan made during the year by the employees amounted to \$1,481,879 (2020 - \$1,410,479). These are included in the "Employee Benefits" section of the Statement of Operations. For 2021, the Hospital had a liability of \$347,147 (2020 - \$308,301), associated with the Pension Plan.

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2021

12. Post-Employment Benefits (continued)

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).

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2021, is as follows:

	2021	2020
Accrued benefit obligation	\$1,105,500	\$603,000
Less unamortized losses:		
Unamortized past service costs	-	-
Unamortized net actuarial (gain)/loss	(90,200)	206,700
Accrued Benefit Liability - End of Year	\$1,105,300	\$ 809,700

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

Discounted rate:	
Beginning of year	3.29%
End of year	3.21%
Weighted average health care trend rate	
Initial	6.0%
Ultimate	4.0%
Year "Ultimate" reached	2038

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

12. Post-Employment Benefits (continued)

The actuarial valuation is for the period April 1, 2020 through March 31, 2021. Included in Employee Benefits on the Statement of Operations is an amount of \$262,000 (2020 - \$17,200) related to employee future benefits.

	2021	2020
Current Year Benefit cost:	\$ 26,100	\$ 25,900
Interest on accrued benefit obligation	20,100	19,500
Amortization on Past Service Costs	507,000	-
Amortized actuarial loss	(291,200)	(28,200)
Total Expense	\$262,000	\$ 17,200

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

13. 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, 2021, the Hospital has a receivable from the Foundation of \$126,417 (2020 - \$223,306).

During the year, the Foundation transferred \$378,098 (2020 - \$654,300) to the Hospital to be used for the purchase of capital assets and \$402,767 (2020 - \$361,609) 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 \$1,526,111 (2020 - \$1,440,096) from Four Counties Health Services, and reimbursed Four Counties Health Services \$308,920 (2020 - \$350,987) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase. At March 31, 2021, \$236,798 (2020 - \$377,323) was included in accounts receivable and \$21,653 (2020 - \$114,111) was included in accounts payable, relating to balances owing from Four Counties Health Services.

Strathroy Middlesex General Hospital

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The Hospital has an agreement with Four Counties Health Services, in which they can receive up to \$1,050,000 at an interest rate of 3.0%, should the Hospital require the funds for the purchase of capital equipment. The loan is to be repaid over seven years, in equal monthly installments.

A new Radiology Suite was purchased in December 2018, \$646,567 was advanced from Four Counties Health Services. The loan is recorded at amortized cost and payments in the year amounted to \$105,000 (2020 - \$105,000) including \$12,436 (2020 - \$15,503) for interest (Note 10).

New Scopes for Endoscopy were purchased in October 2019, \$322,038 has been advanced from Four Counties Health Services. The loan is recorded at amortized cost and payments in the year amounted to \$69,439 (2020 - \$68,933) including \$6,594 (2020 - \$4,218) for interest (Note 10).

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

14. Economic Dependence

The Hospital received 87% of its total revenue for the year ended March 31, 2021 (2020 - 84%) from the SW LHIN and Ministry of Health and Long-Term Care.

15. 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

March 31, 2021

16. 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, 2020:	Salary	Taxable benefits
Todd Stepanuik, President and Chief Executive Officer	\$202,183	\$856
Gale Zottl, Registered Nurse	\$136,918	\$448
Rosemary Frketich, Vice President Clinical Services/Chief Nursing Officer	\$134,716	\$627
Marianne Lewis, Registered Nurse	\$130,355	\$594
Maureen Loft, Clinical Nurse Specialist	\$120,308	\$559
Jaime Moniz, Registered Charge Nurse	\$112,161	\$460
Janice Lopez Romero, Registered Nurse	\$110,388	\$440
Karen Laur, Registered Nurse	\$109,671	\$590
Jennifer Rascao, Patient Care Manager	\$109,628	\$521
Lorne Campbell, Finance Manager	\$109,326	\$522
Nicole Fragassi-Arbique, Patient Care Manager	\$109,296	\$520
Cara Van Dyk, Registered Charge Nurse	\$108,776	\$451
Lisa McLeod-Seeley, Registered Charge Nurse	\$108,609	\$453
Paula Knott, Registered Nurse	\$108,317	\$448
Tracy Wintermute, Director Human Resources and People	\$108,311	\$507
Dawn Wolfs, Registered Charge Nurse	\$108,104	\$467
Tammy Kwarciak, Registered Nurse	\$108,040	\$337
Sherry Larocque, Registered Charge Nurse	\$107,399	\$467
Jordan Atchison, Registered Nurse	\$106,967	\$440
Richang Xia, Registered Nurse	\$105,614	\$440
Jeffery Brock, System Support Manager	\$105,315	\$501
Nicole Esler, Patient Care Manager	\$105,019	\$500
Keri Jones, Registered Nurse	\$104,967	\$899
Kayla Thorne, Registered Nurse	\$104,900	\$440
Amy Oosterhof, Registered Nurse	\$103,996	\$234
Anna Newell, Diagnostic Imaging/Cardiac Services Manager	\$102,599	\$688
Christie Gleadall, Registered Nurse	\$102,559	\$440
Andrea Brooks, Registered Nurse	\$102,467	\$448
Laura Van Dinther, Registered Nurse	\$101,778	\$440
Marsha Vanderwal, Registered Nurse	\$101,629	\$440
Christine Brown, Registered Nurse	\$101,613	\$448
Pamela Brown, Registered Charge Nurse	\$101,397	\$1,039
Nasim Daraeifar, Pharmacist	\$100,986	\$479
Sherri Van Massenhoven, Registered Nurse	\$100,310	\$440
Joseph Groot, Registered Nurse	\$100,277	\$441

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2021

16. Public Sector Salary Disclosure Act (continued)

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).

17. 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 19 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.

18. Financial Instrument Risk Management

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.

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 (2020 - \$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 (Note 3).

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

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18. Financial Instrument Risk Management (continued)

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.

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 (Note 11).

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	\$ 7,620,330	\$ -	\$ -
Long-term debt	116,166	117,126	413,296
	<u>\$ 7,736,496</u>	<u>\$ 117,126</u>	<u>\$ 413,296</u>

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19. 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. No such disbursements have been made to current date.

20. 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.

21. COVID-19

On March 11, 2020 the World Health Organization declared the Coronavirus COVID-19 (COVID- 19) outbreak a pandemic.

From the declaration of the pandemic the Hospital implemented several initiatives including:

- Enhanced infection prevention control measures including screening, isolations, increased use of personal protective equipment and increased cleaning;
- Suspension of some services, and cancellation of elective surgeries and less urgent diagnostic procedures. This was done in order to create capacity for pandemic response and limit the potential for transmission within the Hospital;
- The purchase of equipment and supplies, and the hiring of additional staff, in order to create capacity for pandemic response.

As a result of these actions, the Hospital experienced reductions in non-Ministry funded revenues and increases in operating costs. See Note 4 for year-end accruals of lost revenues and reimbursement of incremental COVID-related operating expenses funded by the Ministry of Health.