

**TILLSONBURG DISTRICT
MEMORIAL HOSPITAL**

**FINANCIAL STATEMENTS
For the year ended March 31, 2020**

**TILLSONBURG DISTRICT
MEMORIAL HOSPITAL**

For the year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tillsonburg District Memorial Hospital

Opinion

We have audited the financial statements of Tillsonburg District Memorial Hospital (the 'Entity'), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets, remeasurement gains and losses 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, 2020, and its results of operations, remeasurement gains and losses and its cash flows for the 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 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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, 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 relating 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.

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 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 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 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 may identify during our audit.



May 27, 2020
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

STATEMENT OF FINANCIAL POSITION

As at March 31	2020	2019
ASSETS		
Current Assets		
Cash and bank	426,268	2,050,993
Short term investments (Note 4)	9,333,987	9,230,799
Accounts receivable (Note 5)	1,442,752	1,107,707
Prepaid supplies	248,679	190,275
Prepaid expenses	60,193	74,194
	11,511,879	12,653,968
Long Term Investments (Note 6)	4,724,804	4,672,832
Capital Assets (Note 7)	15,158,122	15,002,477
	31,394,805	32,329,277
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,177,947	3,249,995
Employee Future Benefits (Note 9)	1,466,049	1,522,310
Deferred Contributions Related to:		
Capital Assets (Note 10)	8,397,017	7,189,318
Deferred Contributions (Note 11)	4,565,634	4,240,557
	16,606,647	16,202,180
NET ASSETS		
Invested in capital assets (Note 12(a))	6,761,105	7,813,159
Unrestricted - Page 5	8,758,419	7,959,064
Remeasurement gains and losses - Page 6	(731,366)	354,874
	14,788,158	16,127,097
	31,394,805	32,329,277

Approved on behalf of the Board of Directors

..... Director

..... Director

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

For the year ended March 31	2020	2019
Revenue		
Ministry of Health	24,866,980	24,008,562
Preferred accommodation	112,020	87,920
Out patients	2,828,211	2,721,657
Chronic Care Co-payment	72,834	88,129
Other	880,934	776,873
Investment income (Note 13)	418,283	302,572
Amortization of deferred contributions related to capital assets	617,166	982,769
	29,796,428	28,968,482
Expenses		
Salaries, wages and medical staff remuneration	18,509,978	17,866,017
Employee benefits	3,952,996	3,947,825
Medical and surgical supplies	697,188	716,660
Drugs	638,463	566,646
Other supplies and expenses	4,931,830	4,764,948
Amortization of capital assets	1,318,672	1,334,293
	30,049,127	29,196,389
Excess (Deficiency) of Revenue over Expenses	(252,699)	(227,907)

See accompanying notes

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31	Invested In Capital Assets	Unrestricted	2020	2019
Balance - beginning of year	7,813,159	7,959,064	15,772,224	16,000,131
Excess (Deficiency) of Revenue over Expenses	(701,506)	448,807	(252,699)	(227,907)
Net change in investment in capital assets (Note 12(b))	(350,548)	350,548	-	-
Balance - end of year	6,761,105	8,758,419	15,519,525	15,772,224

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31	2020	2019
Accumulated Remeasurement Gains and (Losses) - beginning of year	354,874	254,009
Changes in unrealized gains (losses) attributable to short term investments in the current year	(765,474)	47,365
Change in unrealized gains (losses) attributable to long term investments in the current year	(320,766)	53,500
Accumulated Remeasurement Gains and (Losses) - end of year	(731,366)	354,874

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS

For the year ended March 31	2020	2019
Cash Flows From Operating Activities		
Excess (Deficiency) of Revenue over Expenses	(252,699)	(227,907)
Charges (credits) not involving cash		
Amortization of capital assets	1,318,672	1,334,293
Amortization of deferred contributions related to capital assets	(617,166)	(982,769)
Unrealized (loss) gain on investments	(1,086,240)	100,865
	(637,433)	224,482
Net change in non-cash working capital balances related to operations (Note 8)	(1,126,419)	(995,108)
	(1,763,852)	(770,626)
Cash Flows From Financing and Investing Activities		
Decrease (Increase) in investments	(155,160)	989,438
Increase in deferred contributions related to capital assets	1,824,865	1,442,314
Decrease in employee future benefits	(56,261)	(43,787)
	1,613,444	2,387,965
Cash Flows From Capital Activities		
Purchase of capital assets	(1,474,317)	(1,865,054)
Net (Decrease) Increase in Cash and Bank	(1,624,725)	(247,715)
Cash and Bank - Beginning of Year	2,050,993	2,298,708
Cash and Bank - End of Year	426,268	2,050,993

See accompanying notes

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

1. STATUS AND NATURE OF ACTIVITIES

Tillsonburg District Memorial Hospital is incorporated without share capital under the laws of Ontario and provides health care and hospital services to residents of Tillsonburg and the surrounding communities. The Hospital is a registered charity under the income tax act and accordingly is exempt from income taxes, provided certain requirements are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

(a) Use of Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. In estimating the net realizable value of the accounts receivable and in estimating accrued liabilities, as well as general business and economic conditions that prevail, and are expected to prevail, actual results could differ from those estimates.

(b) 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. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2020.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Financial Instruments

The Hospital classified 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 and cash equivalents and investments which are initially recognized at cost and subsequently carried 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 related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized Cost

This category includes accounts receivable and 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 write down being recognized in the statement of operations.

(d) Prepaid Supplies

Prepaid supplies are valued at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis.

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital Assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2.5%
Equipment	5% - 20%

(f) Contributed Services

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

(g) Employer Future Benefits and Pension Plan

Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOP") a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average annualised earnings during the five consecutive years prior to retirement, termination or death, that provides the highest earnings. Because HOOP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOP surplus or deficit.

Employer contributions made to the plan during the year by the Hospital amounted to \$1,311,315 (2019 - \$1,281,193). These amounts are included as part of the employee benefits expense in the Statement of Operations.

Employee future benefits

Included in the employee benefits is an expense for the Hospital's employee future benefits. The Hospital uses the statement of financial position of March 31 as the measurement date.

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

3. FINANCIAL INSTRUMENT CLASSIFICATION

The Hospital's financial instruments are initially recognized at fair value and then subsequently measured as follows:

Assets/Liabilities	Measurement Category
Cash	Fair Value
Investments	Fair Value
Accounts Receivable	Amortized Cost
Accounts Payable and Accrued Liabilities	Amortized Cost

The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments in the fair value measurement category:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash and investments are measured as Level 1 financial instruments.

4. SHORT TERM INVESTMENTS	2020 Cost	2020 Market	2019 Cost	2019 Market
Short term investments	10,043,617	9,333,987	9,174,955	9,230,799

5. ACCOUNTS RECEIVABLE	2020	2019
Total	1,469,747	1,118,049
Less: Allowance for doubtful accounts	(26,995)	(10,342)
	1,442,752	1,107,707

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

6.	LONG TERM INVESTMENTS	2020 Cost	2020 Market	2019 Cost	2019 Market
	Restricted	674,340	706,773	630,630	697,988
	Unrestricted	4,072,200	4,018,031	3,743,172	3,974,844
		4,746,540	4,724,804	4,373,802	4,672,832
7.	CAPITAL ASSETS	Cost	Accumulated Amortization	2020	2019
	Land and land improvements	1,005,248	-	1,005,248	1,005,248
	Capital assets under development	646,813	-	646,813	-
	Building	19,423,260	10,696,682	8,726,578	8,971,400
	Equipment	30,624,961	27,794,466	2,830,495	3,076,841
		51,700,282	38,491,148	13,209,134	13,053,489
	Real estate held for future use	1,948,988	-	1,948,988	1,948,988
		53,649,270	38,491,148	15,158,122	15,002,477
8.	CASH FLOW FROM OPERATIONS			2020	2019
	Accounts receivable			(335,045)	(124,692)
	Prepaid supplies			(58,404)	20,162
	Prepaid expenses			14,001	(170)
	Accounts payable and accrued liabilities			(1,072,048)	(958,666)
	Deferred contributions			325,077	68,258
				(1,126,419)	(995,108)

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

9. EMPLOYEE FUTURE BENEFITS

Included in the employee benefits is an expense for the Hospital's employee future benefits. The Hospital uses the statement of financial position date of March 31 as the measurement date. The most recent actuarial valuation of the employee future benefits for funding purposes was performed as at April 1, 2017. The next actuarial valuation of the plan for funding purposes will be required as at March 31, 2021 or in the event of a plan amendment. The plan is unfunded.

Reconciliation of the funded status of the benefit plan to the amount recorded in the financial statements

	2020	2019
Accrued benefit obligation	1,522,310	1,566,097
Unamortized net actuarial gain (loss)	(56,261)	(43,787)
Accrued benefit liability	1,466,049	1,522,310

Other information

	2020	2019
Benefit plan expense	63,259	60,108
Benefits paid	119,520	103,895

Significant assumptions

	2020	2019
Discount rate	2.94%	3.61%
Dental trend rates	4.00%	4.00%
Withdrawal rate	Age based on rate table	Age based on rate table
Expected average remaining service life - years	5	5
Extended health care trend rates	7.00% in 2020 decreasing by 0.15% per annum to 4.00%	7.00% in 2019 decreasing by 0.15% per annum to 4.00%

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

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

	2020	2019
Balance - beginning of year	7,189,318	6,729,773
Additional contributions received	1,824,865	1,442,314
Less: amounts amortized to revenue	(617,166)	(982,769)
	8,397,017	7,189,318

11. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent amount of donations and grants received for the purchase of capital assets. The balance is comprised of as follows:

	2020	2019
Balance - beginning of year	4,240,557	4,172,299
Net investment income and other deposits	325,077	68,258
	4,565,634	4,240,557

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

12.	INVESTED IN CAPITAL ASSETS	2020	2019
(a)	Invested in capital assets is calculated as follows:		
	Net book value of capital assets	15,158,122	15,002,477
	Amounts financed by deferred contributions	(8,397,017)	(7,189,318)
		6,761,105	7,813,159
(b)	Change in net assets invested in capital assets is calculated as follows:		
	Amortization of deferred contributions related to capital assets	617,166	982,769
	Amortization of capital assets	(1,318,672)	(1,334,293)
		(701,506)	(351,524)
	Net change in investment in capital assets		
	Purchase of capital assets	1,474,317	1,865,054
	Amounts funded by deferred contributions	(1,824,865)	(1,442,314)
		(350,548)	422,740
13.	INVESTMENT INCOME	2020	2019
	Interest	177,329	117,910
	Dividends	242,327	186,588
	Realized (loss) gain on disposal of investments	(1,373)	(1,926)
		418,283	302,572

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

14. RELATED PARTY TRANSACTIONS

The Hospital has an economic interest in the Tillsonburg District Memorial Hospital Foundation (the Foundation). As of March 31, 2020, the Foundation held net assets of \$7,148,461 (2019 - \$8,259,500), the benefits of which are to be used for capital assets purchases and other activities of the Hospital. During the year, the Foundation granted \$722,801 (2019 - \$458,719) to the Hospital to purchase capital assets.

The Hospital has an economic interest in the Tillsonburg District Memorial Hospital Volunteer Association (the Association). As at March 31, 2020, the Association held net assets of \$19,410 (2019 - \$36,035), the benefits of which are to be used to support activities of the Hospital. During the year, The Association granted \$66,000 (2019 - \$60,000) to the Hospital to purchase capital assets.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Recognition and Measurement

All financial instruments are initially recorded on the statement of financial position at fair value. Investments in equity instruments that are quoted in a active market are subsequently measured at fair value. All other financial instruments are measured at amortized cost.

The Hospital has also identified the following financial risks:

Credit Risk

The Hospital is exposed to credit risk with respect to its accounts receivable. The risk of significant credit loss is considered remote. The Hospital assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive.

Interest Rate Risk

The Hospital's exposure to interest rate risk relates to its short term investments, long term investments and employee future benefits. (See Notes 4, 6 and 9).

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

16. ECONOMIC DEPENDENCE

The Hospital received 83.5% of its revenue for the year ended March 31, 2020 (2019 - 82.9%) from the Ministry of Health and Long Term Care.

TILLSONBURG DISTRICT MEMORIAL HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2020

17. COVID-19 PANDEMIC

Prior to and subsequent to year end, the Hospital has been impacted by the effects of the world-wide coronavirus pandemic. The Hospital is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impacts of this unprecedented situation.

Additional financial costs incurred as a result of COVID-19 are being tracked by the Hospital. While the Hospital has been advised by the Ministry of Health to track these costs, the Hospital has not received confirmation that it will be reimbursed for these additional costs. As a result all COVID-19 costs incurred to March 31, 2020 have been expensed.

In addition, the Hospital has also lost revenue from the cafeteria, rentals, preferred accommodations and outpatient services as a result of measures undertaken in response to the pandemic.

The above impacts to expenses and revenues will carry over to fiscal 2021 and it is not possible to determine the ultimate financial impact to the Hospital at this time.

Canadian and global markets experienced significant declines in value resulting from the uncertainty caused by the world-wide coronavirus pandemic. The Hospital is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements have been adjusted to fair value to reflect these declines to the date of the financial statements.