

Financial Statements of

**WEST PARRY SOUND HEALTH  
CENTRE**

Year ended March 31, 2021

# WEST PARRY SOUND HEALTH CENTRE

Financial Statements Index

Year ended March 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of West Parry Sound Health Centre

### ***Opinion***

We have audited the accompanying financial statements of West Parry Sound Health Centre (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of West Parry Sound Health Centre as at March 31, 2021, and its results of operations, its changes in deficiency in net assets 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 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 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.



***Emphasis of Matter – Comparative Information***

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended March 31, 2020 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

***Other Matter – Comparative Information***

The financial statements for the year ended March 31, 2020, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 1, 2020.

As part of our audit of the financial statements for the year ended March 31, 2021, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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***Comparative Information***

The financial statements of the West Parry Sound Health Centre for the year ended March 31, 2020 were audited by another auditor on June 1, 2020.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 17, 2021

# WEST PARRY SOUND HEALTH CENTRE

## Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Ministry of Health	\$ 38,385,899	38,559,044
Cancer Care Ontario	940,587	1,013,094
Co-payments and preferred accommodations	520,489	585,071
OHIP and other patient services	2,693,127	3,950,285
Recoveries	5,006,068	5,086,920
Amortization of deferred equipment contributions	1,443,617	989,404
Other programs - MOH (note 18)	14,294,545	13,711,837
	<u>63,284,332</u>	<u>63,895,655</u>
Expenses:		
Salaries and wages	28,300,228	24,051,673
Employee benefits	5,852,159	5,216,835
Medical staff remuneration	7,215,006	5,652,129
Medical and surgical supplies	2,630,465	2,085,080
Drugs	1,610,083	1,826,587
Other supplies and expenses	11,480,627	10,352,400
Amortization of equipment	1,760,188	1,194,964
Bad debts (recovery)	41,655	114,944
Other programs - MOH (note 18)	14,294,545	13,711,837
	<u>73,184,956</u>	<u>64,206,449</u>
Deficiency of revenue over expenses before undernoted items	(9,900,624)	(310,794)
Ministry of Health pandemic funding (note 19)	10,161,588	-
Excess (deficiency) of revenue over expenses from Hospital operations	<u>260,964</u>	<u>(310,794)</u>
Amortization of deferred capital contributions - buildings	1,901,656	1,901,656
Amortization of buildings	(2,282,397)	(2,280,844)
Deficiency of revenue over expenses before undernoted items	(119,777)	(689,982)
Ministry of Health working capital funding (note 20)	8,432,300	-
Excess (deficiency) of revenue over expenses	<u>\$ 8,312,523</u>	<u>(689,982)</u>

See accompanying notes to financial statements.

# WEST PARRY SOUND HEALTH CENTRE

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020 (Restated - note 2)
<b>Assets</b>		
Current assets:		
Restricted funds	\$ 2,201,009	2,243,459
Accounts receivable (note 3)	14,538,885	3,372,117
Lakeland Long-Term Care Services Corporation (note 4)	177,181	266,054
Inventories	1,086,131	795,049
Prepaid expenses	1,026,346	678,882
Current portion of capital lease receivable (note 6)	511,048	485,545
	<u>19,540,600</u>	<u>7,841,106</u>
Parry Sound pilot project (note 5)	349,930	316,959
Due from WPSHC Foundation (note 13)	1,216,619	1,811,391
Due from Town of Parry Sound	660,400	663,798
Capital lease receivable (note 6)	5,786,651	6,297,696
Capital assets (note 7)	70,879,784	72,504,189
	<u>\$ 98,433,984</u>	<u>89,435,139</u>
<b>Liabilities, Deferred Contributions and Deficiency in Net Assets</b>		
Current liabilities:		
Bank indebtedness (note 8)	\$ 820,047	2,657,614
Short-term loan (note 9)	-	5,448,834
Accounts payable and accrued liabilities (note 10)	10,405,830	8,162,483
Deferred revenue	1,204,558	315,359
Current portion of long-term obligations (note 11)	977,104	626,000
	<u>13,407,539</u>	<u>17,210,290</u>
Long-term debt (note 11)	12,501,221	8,238,000
Interest rate swaps (note 2)	868,917	1,536,474
Deferred capital grants and contributions (note 12)	57,177,519	56,938,231
Employee future benefits (note 14)	2,798,100	2,811,536
	<u>86,753,296</u>	<u>86,734,531</u>
Net assets	12,549,605	4,237,082
Accumulated remeasurement losses (note 2)	(868,917)	(1,536,474)
	<u>11,680,688</u>	<u>2,700,608</u>
Contingencies (note 16)		
COVID-19 impacts (note 21)		
	<u>\$ 98,433,984</u>	<u>89,435,139</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director  
 Director



# WEST PARRY SOUND HEALTH CENTRE

## Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Net assets, beginning of year	\$ 4,237,082	4,927,064
Excess (deficiency) of revenue over expenses	8,312,523	(689,982)
Net assets, end of year	\$ 12,549,605	4,237,082

See accompanying notes to financial statements.

# WEST PARRY SOUND HEALTH CENTRE

## Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 8,312,523	(689,982)
Adjustments for:		
Amortization of capital assets	4,042,585	3,475,808
Amortization of deferred capital contributions	(3,345,273)	(2,891,060)
Increase in post-retirement benefit obligations	(13,436)	51,653
	8,996,399	(53,581)
Change in non-cash working capital:		
Accounts receivable	(11,166,768)	1,339,450
Lakeland Long-Term Care Services Corporation	88,873	(1,453)
Inventories	(291,082)	(158,074)
Prepaid expenses	(347,464)	223,560
Due from WSPHC Foundation	594,772	(1,811,391)
Due from Town of Parry Sound	3,398	(26,251)
Accounts payable and accrued liabilities	2,243,347	2,210,916
Deferred revenue	889,199	59,241
	1,010,674	1,782,417
Cash flows from financing activities:		
Net repayment of short-term demand loan	(5,448,834)	2,539,458
Proceeds from issuance of long-term debt	5,448,834	-
Principal repayment on long-term debt	(834,509)	(597,000)
	(834,509)	1,942,458
Cash flows from investing activities:		
Investment in Parry Sound Pilot Project	(32,971)	90,825
Cash flows from capital activities:		
Purchase of capital assets	(2,418,180)	(6,326,672)
Deferred capital contributions	3,584,561	3,920,688
Capital lease receivable	485,542	461,316
	1,651,923	(1,944,668)
Net increase (decrease) in cash	1,795,117	1,871,032
Cash, beginning of year	(414,155)	(2,285,187)
Cash, end of year	\$ 1,380,962	(414,155)
Represented by:		
Restricted funds	\$ 2,201,009	2,243,459
Bank indebtedness	(820,047)	(2,657,614)
	\$ 1,380,962	(414,155)

See accompanying notes to financial statements.

# WEST PARRY SOUND HEALTH CENTRE

## Statement of Remeasurement Losses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020 (Restated - note 2)
Remeasurement losses, beginning of year (note 2)	(1,536,474)	(1,355,010)
Unrealized gains (losses) attributable to:		
Derivative - interest rate swaps (2006) (note 2)	435,775	(181,464)
Derivative - interest rate swaps (2020)	231,782	-
Remeasurement losses, end of year	\$ (868,917)	(1,536,474)

See accompanying notes to financial statements.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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West Parry Sound Health Centre (the "Hospital") is incorporated without share capital under the laws of the Province of Ontario. Its principal activity is the provision of health care services to the West Parry Sound area. The Hospital is a registered charity and, as such, is exempt from income taxes provided certain requirements under the Income Tax Act are met.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "Ministry") and the North East Local Health Integration Network ("NELHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

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

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

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

### (b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

### (c) Donated assets:

Donated capital assets are recorded at fair value when received.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

### (d) Capital assets:

Purchased capital assets are recorded at cost. The original cost does not reflect replacement cost or market value upon liquidation. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

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

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

	Rate
Buildings and parking lot	2.5%
Furnishings and equipment	5% - 10%

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

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

### (e) Related entities:

The notes to the financial statements include information for the following entities:

Lakeland Long-Term Care Services Corporation ("Lakeland") (note 15)  
West Parry Sound Health Centre Foundation ("Foundation") (note 15)  
Parry Sound Pilot Project (note 4)

The investment in the joint venture of the profit-oriented entity, Parry Sound Pilot Project, is accounted for by the equity method. The other entities are not consolidated.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (f) Employee future benefits:

The Hospital sponsors a defined benefit health and dental plan for certain employees and retirees funded on a pay-as-you-go basis. The Hospital is also a member of a defined benefit pension plan. The Hospital has adopted the following policies:

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2021, and the next required valuation will be as of March 31, 2024.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 14 years. The average remaining service period of the active employees covered by the other retirement benefits plan is 14 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

### (g) Healthcare of Ontario Pension Plan:

The Hospital is an employer member of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables and inventories; amounts due from (to) the MOH; accounts payable and accrued liabilities; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (i) Funding adjustments:

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

### (j) Contributed services:

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

### (k) Financial instruments:

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

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

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

# WEST PARRY SOUND HEALTH CENTRE

## Notes to Financial Statements

Year ended March 31, 2021

### 2. Prior period restatement:

The comparative financial statements have been restated to correct the accounting for derivative instruments. The previous financial statements did not include the remeasurement losses for unrealized losses attributable to derivative instruments. In accordance with Public Sector Accounting Standard PS 3450, a change in the fair value of a financial instrument in the fair value category should be recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. This change has been recorded retrospectively and accordingly the comparative balances have been restated as follows:

	As Previously Reported – March 31, 2020	Adjustment	Restated March 31, 2020
Remeasurement losses, beginning of year	\$ –	\$ (1,355,010)	\$ (1,355,010)
Unrealized losses attributable to derivative	–	(181,464)	(181,464)
Remeasurement losses, end of year	–	(1,536,474)	(1,536,474)

### 3. Accounts receivable:

	2021	2020
Trade accounts receivable	\$ 1,626,460	\$ 2,130,870
HST recoverable	434,567	368,466
Ministry of Health	11,893,524	–
West Parry Sound Health Centre Foundation (i)	564,176	790,300
Other	20,158	82,481
	\$ 14,538,885	\$ 3,372,117

(i) The receivable from the Foundation is for reimbursement of equipment purchased by the Hospital during the year.

### 4. Lakeland Long-Term Care Services Corporation:

The Hospital has advanced funds to the related non-profit corporation and provides operating services to the corporation on an on-going basis. The current advances are incurred in the normal course of operations.

	2021	2020
Current trade receivable	\$ 146,438	\$ 184,685
2020 Eldcap surplus	30,743	–
2019 Eldcap surplus	–	81,369
	\$ 177,181	\$ 266,054



# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 5. Parry Sound Pilot Project:

The Hospital exercises joint control, along with an unrelated profit-oriented enterprise, over a joint venture that was established to provide laboratory services. The Hospital's 50% share of the joint venture has not been proportionately consolidated in the Hospital's financial statements.

## 6. Capital lease receivable:

	2021	2020
Capital lease receivable – due from Lakeland, 5.13% repayable in monthly principal and interest payments of \$68,518, amortized over 25 years	\$ 6,297,699	\$ 6,783,241
Less amounts due within one year included in current assets	(511,048)	(485,545)
	<u>\$ 5,786,651</u>	<u>\$ 6,297,696</u>

## 7. Capital assets:

2021	Cost	Accumulated amortization	Net book value
Land	\$ 1,799,442	\$ –	\$ 1,799,442
Buildings and parking lot	88,374,891	34,875,340	53,499,551
Furnishings and equipment	27,384,289	13,444,414	13,939,875
Work in progress	1,640,916	–	1,640,916
	<u>\$119,199,538</u>	<u>\$ 48,319,754</u>	<u>\$ 70,879,784</u>
2020	Cost	Accumulated amortization	Net book value
Land	\$ 1,799,442	\$ –	\$ 1,799,442
Buildings and parking lot	88,374,891	32,582,321	55,792,570
Furnishing and equipment	25,850,766	11,690,953	14,159,813
Work in progress	752,364	–	752,364
	<u>\$116,777,463</u>	<u>\$ 44,273,274</u>	<u>\$ 72,504,189</u>

# WEST PARRY SOUND HEALTH CENTRE

## Notes to Financial Statements

Year ended March 31, 2021

### 8. Bank indebtedness:

The Hospital has a demand line of credit with TD Canada Trust authorized to a maximum of \$2,000,000, which bears interest at the bank's prime rate less 0.6%, calculated and payable monthly. The line of credit is secured by a \$17,000,000 collateral mortgage and accompanied with insurance. As of March 31, 2021, there was \$719,473 drawn on this line of credit (2020 - \$3,015,598).

### 9. Short-term debt:

In the prior year, the Hospital had a short-term operating loan with TD Canada Trust authorized to a maximum of \$6,500,000, due July 31, 2020 or on demand, with monthly payments of interest only at the bank's prime less 0.5%. The operating loan was secured by a \$17,000,000 collateral mortgage and accompanied with insurance. At the completion of the EHR project in June 2020, the operating line was converted to long-term debt (note 11).

### 10. Accounts payable and accrued liabilities:

	2021	2020
Accounts payable and accrued liabilities:		
Ministry of Health	\$ 744,039	\$ 847,108
Trade accounts payables	3,327,019	2,307,134
Accrued liabilities	767,415	621,331
Payroll accruals:		
Accrued salaries, wages and benefits	2,414,224	1,277,247
Accrued vacation pay	2,859,005	2,455,424
Employee deductions payable	294,128	654,239
	<u>\$ 10,405,830</u>	<u>\$ 8,162,483</u>

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 11. Long-term debt:

	2021	2020
International Swaps and Derivatives Association Master Agreement between TD Canada Trust jointly with the Hospital and Lakeland – interest floating rate plus 0.35% stamping fee, due January 9, 2026, repayable in monthly instalments of variable principal and interest, amortized over 25 years, secured by land and buildings and a general security agreement	\$ 8,238,000	\$ 8,864,000
International Swaps and Derivatives Association Master Agreement with TD Canada Trust – interest floating rate plus 0.71% stamping fee, due July 31, 2035, repayable in monthly instalments of \$35,154 principal and interest, amortized over 15 years, secured by land and buildings and a general security agreement	5,240,325	–
	13,478,325	8,864,000
Less amounts due within one year	(977,104)	(626,000)
	\$ 12,501,221	\$ 8,238,000

The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps is a liability of \$868,917 (2020 - \$1,536,474) and has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

Scheduled principal repayments in each of the next five years and thereafter are as follows:

2022	\$	977,104
2023		1,018,652
2024		1,059,323
2025		1,108,133
2026		5,732,082
Thereafter		3,583,031
	\$	13,478,325

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 12. Deferred capital grants and contributions:

In 2006, the Hospital completed the construction of the new hospital. The Ministry, the Foundation, the municipalities and the residents of West Parry Sound District and the Hospital have contributed to the funding of the hospital.

The Hospital continues to receive capital grants and contributions for building and equipment. The grants and contributions are deferred and amortized over the life of the asset.

Lakeland is a related non-profit corporation. The corporation entered into a capital lease with the Hospital for equipment and premises.

Details of continuity of these funds are as follows:

	2021	2020
Balance, beginning of year	\$ 56,938,231	\$ 55,908,603
Contributions received or recognized during the year	3,584,561	3,920,688
Less: amounts amortized to revenue	(3,345,273)	(2,891,060)
Balance, end of year	\$ 57,177,519	\$ 56,938,231

Included in the contributions received or recognized during the year is \$1,006,394 of unspent HIRF funding.

## 13. Related entities:

The Foundation is an independent corporation without share capital, which has its own Board of Directors. It provides donations to the hospital for capital and operating purposes. The Foundation's statements are not included in these financial statements.

Lakeland is an independent corporation without share capital, which has its own Board of Directors. Lakeland operates within the hospital and leases space and equipment from the hospital. They have transactions for shared expenses that occur in the normal course of operations that they reimburse the hospital per their agreement. The Lakeland statements are not included in these financial statements.

## 14. Post-retirement benefit obligation:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for employees with various cost-sharing arrangements as determined by their collective agreements and conditions of employment. The most recent valuation of the employee future benefits was completed as at March 31, 2021. The next full valuation of the plan will be as of March 31, 2024.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 14. Post-retirement benefit obligation (continued):

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

	2021	2020
Balance, beginning of year	\$ 2,811,536	\$ 2,759,883
Add: benefit costs	179,000	169,300
	2,990,536	2,929,183
Less: benefit contributions	(192,436)	(117,647)
Balance, end of year	\$ 2,798,100	\$ 2,811,536

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

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

	2021	2020
Discount rate	3.21%	3.31%
Initial health care cost trend rate	6.40%	7.00%
Dental care cost trend rate	4.00%	4.00%
Health Care cost trend rate declining to	5.00%	5.00%

## 15. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit plan. Employer contributions made to the Plan during the year by the Hospital amounted to \$2,184,152 (2020 - \$1,976,565).

## 16. Contingencies:

### (a) Legal matters and litigation:

The nature of the Hospital's activities is such that there is usually litigation pending or in process at any given time. With respect to claims at March 31, 2021, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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## 16. Contingencies (continued):

### (b) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable. Where amounts are not reasonably determinable, costs, if any, relating to these matters would be recognized when known.

## 17. Financial risks and concentration of credit risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2021 is the carrying value of these assets.

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

There have been no significant changes to the credit risk exposure from 2020.

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

There have been no significant changes to the liquidity risk exposure from 2020.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 18. Uniquely funded programs:

The Hospital administers a number of programs which are separately funded. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Hospital and any excess or deficiency of revenue over expenses is settled with the funding agencies on an annual basis. These programs have set budgets that must be adhered to. If any of the programs result in a deficit the Hospital could be held responsible to fund them.

	2021	2020
Revenue:		
Dispatch services	\$ 2,100,463	\$ 2,078,340
Nurse Practitioner Led Clinics	2,846,322	2,762,376
Parry Sound Ambulance Services	9,341,010	8,864,371
Municipal taxes	6,750	6,750
Total revenue	14,294,545	13,711,837
Expenses:		
Dispatch services	\$ 2,100,463	\$ 2,078,340
Nurse Practitioner Led Clinics	2,846,322	2,762,376
Parry Sound Ambulance Services	9,341,010	8,864,371
Municipal taxes	6,750	6,750
	14,294,545	13,711,837
Excess of revenue over expenses	\$ -	\$ -

## 19. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the Ministry has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

## 19. Ministry of Health pandemic funding (continued):

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the Ministry. However, given the potential for future changes to funding programs that could be announced by the Ministry, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the Ministry funding for COVID-19 recognized as revenue in the current year are summarized below:

Funding for incremental COVID-19 operating expenses	\$	3,953,086
Funding for temporary pandemic pay		1,005,269
Funding for revenue losses resulting from COVID-19		1,650,600
Broad-based funding reconciliation for other eligible costs and revenue losses		2,259,778
Uninsured patients funding		82,362
COVID swab assessment centre funding		1,031,148
Other COVID funding		1,174,586
		<u>11,156,829</u>
Less: Provision for future changes to funding programs		(995,241)
	\$	<u>10,161,588</u>

In addition to the above, the Hospital has also recognized \$1,166,900 in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

## 20. Ministry of Health working capital funding:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the Ministry has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the Ministry. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.



# WEST PARRY SOUND HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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## **21. COVID-19 impacts:**

In response to COVID-19 and consistent with guidance provided by the Ministry and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

## **22. Comparative information:**

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.