Woodstock Hospital

Financial statements
March 31, 2021

Building a better
working world

Independent auditor's report

To the Members of
Woodstock Hospital

Opinion

We have audited the financial statements of **Woodstock Hospital** [the "Hospital"], which comprise the statement of financial position as at March 31, 2021, and the statement of changes in net assets, statement of operations, statement of remeasurement gains (losses), statement of 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 Hospital as at March 31, 2021, and its financial performance 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management 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 Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital'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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Hospital 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
May 25, 2021

Woodstock Hospital

Statement of financial position

As at March 31

	2021	2020
	$	$
Assets		
Current		
Cash and cash equivalents *[note 4]*	**7,290,189**	8,696,597
Restricted cash *[notes 4 and 14]*	**20,527,298**	20,413,959
Ministry of Health/South West Local Health Integration Network/ Cancer Care Ontario accounts receivable	**2,452,436**	790,315
Other accounts receivable *[note 12]*	**4,342,852**	3,545,763
Inventories	**810,796**	604,406
Prepaid expenses	**1,189,057**	1,203,647
Asset held for sale *[note 7]*	**231,600**	772,000
Current portion of long-term receivable *[note 14]*	**3,503,424**	3,271,470
Total current assets	**40,347,652**	39,298,157
Portfolio investments *[note 5 and 17]*	**17,549,556**	9,053,512
Long-term investments *[note 6]*	**100,941**	100,941
Long-term receivable *[note 14]*	**137,317,476**	140,820,894
Capital assets, net *[note 7]*	**199,234,943**	203,243,434
	394,550,568	392,516,938
Liabilities and net assets		
Current		
Ministry of Health/South West Local Health Integration Network/ Cancer Care Ontario accounts payable	**2,066,460**	596,595
Other accounts payable and accrued liabilities	**15,363,723**	11,656,852
Current portion of deferred contributions *[note 8]*	**389,731**	389,731
Current portion of long-term obligation *[note 14]*	**3,503,424**	3,271,470
Total current liabilities	**21,323,338**	15,914,648
Post-employment benefits liability *[note 11[b]]*	**2,451,700**	2,419,200
Deferred contributions *[note 8]*	**187,276,717**	192,410,444
Ministry of Health and Long-Term Care payable *[note 14]*	**10,389,536**	10,323,018
Long-term obligation *[note 14]*	**137,317,476**	140,820,894
Total liabilities	**358,758,767**	361,888,204
Commitments and contingencies *[notes 14, 15 and 16]*		
Net assets		
Endowments *[notes 4 and 9]*	**542,398**	542,398
Unrestricted net assets	**34,829,080**	30,605,111
	35,371,478	31,147,509
Accumulated remeasurement gains (losses)	**420,323**	(518,775)
	35,791,801	30,628,734
	394,550,568	392,516,938

See accompanying notes

On behalf of the Board:

Director

Director

Woodstock Hospital

Statement of changes in net assets

Year ended March 31

	2021			2020
	Endowments	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[notes 4 and 9]			
Balance, beginning of year	**542,398**	**30,605,111**	**31,147,509**	27,673,094
Excess of revenue over expenses for the year	**—**	**4,223,969**	**4,223,969**	3,474,415
Balance, end of year	**542,398**	**34,829,080**	**35,371,478**	31,147,509

See accompanying notes

Woodstock Hospital

Statement of operations

Year ended March 31

	2021	2020
	$	$
Revenue		
Ministry of Health/South West Local Health Integration Network/ Cancer Care Ontario funding	**98,704,996**	86,666,731
Funding for Juliana facility *[note 14]*	**11,585,488**	10,978,183
Fee for services	**6,756,886**	7,460,593
Other patient	**872,071**	1,142,567
Preferred accommodation	**701,243**	978,228
Investment income	**715,590**	439,837
Other revenue	**8,895,817**	8,869,185
Other votes funding	**11,424,021**	10,451,971
Amortization of deferred contributions *[note 8]*	**6,195,900**	6,264,095
Loss on disposal of capital assets	**(59,360)**	(61,546)
	145,792,652	133,189,844
Expenses		
Salaries, wages and other remuneration	**66,436,207**	60,421,936
Employee benefits *[note 11]*	**10,786,778**	10,373,832
Supplies and other	**23,364,652**	20,695,853
Other votes	**11,439,017**	10,454,159
Medical and surgical supplies	**5,004,780**	4,787,040
Drugs	**5,953,177**	5,093,368
Interest on long-term obligation	**9,941,292**	10,139,676
Amortization of equipment, furnishings and software	**4,069,784**	3,180,184
Amortization of buildings and building service equipment	**4,572,996**	4,569,381
	141,568,683	129,715,429
Excess of revenue over expenses for the year	**4,223,969**	3,474,415

See accompanying notes

Woodstock Hospital

Statement of cash flows

Year ended March 31

	2021	2020
	$	$
Operating activities		
Excess of revenue over expenses for the year	**4,223,969**	3,474,415
Add (deduct) items not involving cash		
Amortization of equipment, furnishings and software	**4,069,784**	3,180,184
Amortization of buildings and building service equipment	**4,572,996**	4,569,381
Amortization of deferred contributions	**(6,195,900)**	(6,264,095)
Loss on disposal of capital assets	**59,360**	61,546
Increase in post-employment benefits liability	**32,500**	44,000
Net change in long-term investments	**—**	(86,500)
	6,762,709	4,978,931
Net change in non-cash working capital balances related to operations *[note 13]*	**3,066,126**	(1,914,323)
Increase in deferred contributions related to expenses of future periods	**540**	989
Cash provided by operating activities	**9,829,375**	3,065,597
Capital activities		
Purchase of capital assets	**(4,714,734)**	(6,267,419)
Proceeds on sale of capital assets	**21,085**	14,531
Cash used in capital activities	**(4,693,649)**	(6,252,888)
Financing activities		
Deferred contributions received related to capital assets	**992,505**	1,095,293
Decrease in long-term obligation	**(3,271,464)**	(3,097,332)
Decrease in long-term receivable	**3,271,464**	3,097,332
Investment income on unspent capital contributions	**69,128**	89,945
Increase in Ministry of Health payable	**66,518**	197,225
Cash provided by financing activities	**1,128,151**	1,382,463
Investing activities		
Net change in portfolio investments	**(7,556,946)**	(9,572,287)
Cash used in investing activities	**(7,556,946)**	(9,572,287)
Net decrease in cash during the year	**(1,293,069)**	(11,377,115)
Cash position, beginning of year	**29,110,556**	40,487,671
Cash position, end of year	**27,817,487**	29,110,556
Cash position consists of		
Cash and cash equivalents	**7,290,189**	8,696,597
Restricted cash	**20,527,298**	20,413,959
	27,817,487	29,110,556

See accompanying notes

Woodstock Hospital

Statement of remeasurement gains (losses)

Year ended March 31

	2021	2020
	$	$
Accumulated remeasurement losses, beginning of year	**(518,775)**	—
Unrealized gains (losses) attributable to portfolio investments	**1,266,420**	(623,905)
Realized (gain) losses attributable to portfolio investments, reclassified to the statement of operations	**(327,322)**	105,130
Accumulated remeasurement gains (losses), end of year	**420,323**	(518,775)

See accompanying notes

Notes to financial statements

March 31, 2021

1. Purpose of the organization

Woodstock Hospital [the "Hospital"] is a Canadian public hospital dedicated to patient care. The Hospital is incorporated without share capital under the *Corporations Act* of Ontario. The new 178-bed community hospital is located in the heart of southwestern Ontario. It serves a local catchment of 55,000 and over 100,000 within Oxford County. Services include Maternal/Child Women's Health, Critical Care, Surgical Services, Medicine, Complex Continuing Care, Rehabilitation and Mental Health. In addition to the emergency department, there are also a number of outpatient services including dialysis, Chemotherapy, diagnostic imaging, laboratory, diabetes, cardio-respiratory, physical and speech therapy, and a variety of mental health programs. The Hospital works closely with its community partners to provide patients with healthcare services close to home. The Hospital is a registered charity under the *Income Tax Act* (Canada) and, as such, is not subject to income taxes.

The Hospital operates under a Hospital Service Accountability Agreement ["H-SAA"] and a Multi-Sector Service Accountability Agreement ["M-SAA"] with the South West Local Health Integration Network ["SW-LHIN"]. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Hospital. The H-SAA and M-SAA set out the funding provided to the Hospital together with performance standards and obligations that establish acceptable results for the Hospital's performance. The Hospital retains any excess or deficiency of revenue over expenses during the year in accordance with the H-SAA. The Hospital is primarily funded by the Ministry of Health ["MOH"] [formerly the Ministry of Health and Long-Term Care], SW-LHIN, and Cancer Care Ontario ["CCO"]. During 2019, CCO was transferred into a new agency under the MOH, Ontario Health.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with the *CPA Canada Public Sector Accounting Handbook* ["PS"], which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards specific to government not-for-profit organizations as set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

Basis of presentation

These financial statements represent the operations of the Hospital including funds held for special or endowment purposes. The financial statements do not include the assets, liabilities and activities of any other organizations, such as the Woodstock Hospital Foundation [the "Foundation"] that, although related to the Hospital, are not controlled by it.

Remeasurement gains and losses

Remeasurement gains and losses are reported according to their nature, including changes in market value for derivatives, portfolio investments in equity instruments and financial instruments designated at fair value. Also included are gains or losses in foreign exchange for items denominated in a foreign currency. As at March 31, 2020, there were changes in accumulated surplus attributable to fair value changes or foreign currency translation; therefore, the statement of remeasurement gains and losses has been included.

Notes to financial statements

March 31, 2021

Revenue recognition

The Hospital follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are deferred when initially recorded in the accounts and recorded as revenue in the period in which the related expenses are recorded. Endowment contributions are recorded as direct increases in endowment net assets.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated.

Revenue from ancillary services and other patient services are recognized when the goods have been sold or when the services have been rendered.

Investment income recorded in the statement of operations consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses, except to the extent they relate to deferred contributions, in which case they are added to the deferred contributions.

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash consists of cash on deposit. Cash and cash equivalents and restricted cash consist of cash on deposit, shares and mutual fund investments, which are recorded at fair value at the year-end. Short-term investments readily convertible to cash included in cash and cash equivalents and restricted cash were $548,615 [2020 – $2,177,958].

Inventories

Inventories are valued at the lower of cost and replacement cost, with cost being determined on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are performed on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

Long-term investments

The Hospital has interests in economic activities where there is shared ownership of these activities by the venturers. The accounts of these joint venture activities are included in the accompanying financial statements following the modified equity method. The modified equity method is a basis of accounting for the Hospital's business partnerships, whereby the equity method of accounting is only modified to the extent the venturer's accounting policies are not adjusted to conform with those of the Hospital.

Capital assets

Capital assets are valued at the cost incurred by the Hospital at the date of acquisition. All direct costs and interest related to building and equipment projects are capitalized during the period of construction until the project is complete.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets. Amortization commences in the year an asset is put into use and is discontinued in the year of disposal. The rates of amortization are as follows:

Buildings	50 years
Equipment and furnishings	5–20 years
Software	5 years

When capital assets are disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is reflected in the statement of operations.

No amortization is recorded on construction in progress until construction is substantially complete and the assets are ready for productive use.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Hospital. 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.

Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time each year. Because the fair value of these contributed services is not readily determinable, they are not recognized in these financial statements.

Use of estimates

The preparation of the Hospital’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the statement of financial position and the reported amounts of revenue and expenses during the reporting period. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

The amount of revenue recognized from the MOH and the SW-LHIN requires estimation.

The H-SAA sets out certain performance standards and obligations 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 SW-LHIN and/or the MOH have the right to adjust funding received by the Hospital. The SW-LHIN and the MOH are not required to communicate certain funding adjustments until after the submission of the year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the funding received during the year from the SW-LHIN and the MOH may be increased or decreased subsequent to the year-end.

Other significant items subject to such estimates and assumptions include the valuation of accounts receivable, the carrying amount of capital assets and the employee future benefits liability.

COVID-19 Global Pandemic

The Hospital's results and operations have been and will continue to be impacted by the outbreak of COVID-19. The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and increases the need to apply judgement in evaluating the economic and market environment and its impact on significant estimates. The impact of COVID-19 has led to significant volatility in the global equity and fixed income markets. It is uncertain how this volatility may impact the valuation and income of portfolio investments.

The MOH has announced a number of funding programs intended to assist hospitals with incremental costs and revenue decreases resulting from the ongoing pandemic. While the MOH 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 MOH has indicated that all funding related to COVID-19 is subject to review and reconciliation, using the broad-based reconciliation framework, with the potential for adjustments during the subsequent fiscal year. Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided the MOH. The Hospital has determined a reasonable amount that is considered by Management to be supportable and consistent with the guidance provided by MOH. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

The duration and impact of the COVID-19 outbreak remains unknown at this time, as does the ongoing efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions and slow the spread of the disease. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Hospital in future years.

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; or [ii] cost or amortized cost. The Hospital determines the classification of its financial instruments at initial recognition. The financial instruments are measured as follows:

- Current and long-term receivables and accounts payable and accrued liabilities are measured at cost, net of any provisions for impairment;
- Long-term obligations are measured at amortized cost using the effective interest rate method, net of any provisions for impairment; and
- Portfolio investments are at fair value as they are managed and evaluated on a fair value basis.

Transaction costs related to financial assets and financial liabilities measured at fair value are expensed to interest and other expenses, net, as incurred.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

A change in the fair value of a financial instrument in the fair value category is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. In the reporting period that a financial instrument in the fair value category is derecognized, the accumulated remeasurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations. There were changes in fair value of financial instruments during the year; therefore, the statement of remeasurement gains and losses was required.

As at each financial statement date, the Hospital assesses financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. A loss in value of an investment that is other than a temporary decline occurs when the actual value of the investment to the Hospital becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of an investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value.

Post-employment benefits

The Hospital accrues its obligations and the related costs under employee benefit plans. The cost of employee future benefits earned by employees is actuarially determined using the projected accrued benefit cost method prorated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation represents the Hospital’s cost of borrowing. Differences arising from past service costs are expensed in the period of plan amendment. Differences arising from changes in assumptions and actuarial gains and losses are amortized in the statement of operations on a straight-line basis over the expected average remaining active service life of employees.

Multi-employer benefit plan

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Hospital has insufficient information to apply defined benefit plan accounting.

Going Concern

Management has made an assessment of its ability to continue as a going concern and is satisfied that the Hospital has the resources to continue its operations for the foreseeable future. Management considered the impact of COVID-19 in its assessment of the Hospital's ability to continue as a going concern. Although COVID-19 has had an impact on the Hospital’s operations, as well as the funding and operations of its related entities, the Hospital has sufficient liquidity to maintain current operations as well as the additional operational demands relating to the continued Hospital's COVID-19 response.

Notes to financial statements

March 31, 2021

3. Woodstock Hospital Foundation

The Foundation is an organization without share capital under the laws of Ontario that engages in fundraising activities on behalf of the Hospital. The Foundation relies on the Hospital to provide payroll, facilities and other administrative support and reimburses the Hospital for costs incurred on its behalf. In addition, the Foundation transferred funds of $364,275 [2020 – $421,379] for capital purposes to the Hospital during the year *[notes 7 and 12].*

4. Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of the following:

	2021	**2020**
	$	$
Cash	**4,780,055**	5,204,772
Treasury account for operations	**2,510,134**	3,491,825
	7,290,189	8,696,597

Restricted cash consists of the following:

	2021	**2020**
	$	$
Internally restricted cash [a]	**7,054,252**	6,356,894
Endowments [b]	**542,398**	542,398
Externally restricted cash [c]	**12,930,648**	13,514,667
	20,527,298	20,413,959

[a] Internally restricted cash is restricted by the Hospital's Board of Directors and management for non-operating purposes.

[b] The equity portion of the endowments must remain intact and the earned revenue on this fund can be used for other purposes.

[c] Externally restricted cash is restricted by the MOH for the construction, maintenance and financing of the new hospital.

As at March 31, 2021, the credit facility established with the Hospital's bankers, consisted of a credit line of $5,000,000 [2020 – $5,000,000] bearing interest at the bank's prime rate [2.45%] to be used for general operating purposes. No amount was drawn on this facility as at March 31, 2021 and 2020.

5. Portfolio investments

	2021		2020	
	Fair value hierarchy	**Market value** $	**Fair value hierarchy**	**Market value** $
Fixed income	**Level 2**	**11,248,633**	Level 2	6,586,073
Equities	**Level 1**	**6,300,923**	Level 1	2,467,439
		17,549,556	—	9,053,512

6. Long-term investments

Oxford ProResp Inc.

Effective January 1, 1995, Oxford ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home care services to clients in Oxford County. In fiscal 2004, the common shares were then exchanged for Class A common shares at an amount equal to the original value. The Hospital also received 100 special Class A shares in exchange for a promissory note in the amount of $100,000, which was fully repaid in fiscal 2001. The investment is being accounted for according to the modified equity method and, as such, is stated at cost plus income less dividends since inception.

	2021 $	**2020** $
Special Class A shares	**100,000**	100,000
Class A common shares	**50**	50
Share of income since inception	**617,891**	617,891
Dividends received since inception	**(617,000)**	(617,000)
	100,941	100,941

Management fees in the amount of $219,000 [2020 – $130,000] from Oxford ProResp Inc. have been recorded as other revenue. Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

Information Technology Purchased Services [“ITPS”]

ITPS is an unincorporated joint venture established to develop and operate a shared electronic health information management system. Services include information systems related to electronic patient records, Picture Archiving and Communication System and general ledger applications. The Hospital’s interest in ITPS is nominal. The Hospital purchased $1,537,603 of services from ITPS during the year [2020 – $1,532,725]. The investment is being accounted for according to the modified equity method.

Notes to financial statements

March 31, 2021

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

7. Capital assets

Capital assets consist of the following:

	2021		2020	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Land and land improvements – Juliana	**1,785,345**	**—**	1,785,345	—
Building – Juliana	**220,492,935**	**42,975,837**	220,312,162	38,565,978
Building – Athlone	**8,156,870**	**1,336,542**	8,156,870	1,173,405
Equipment and furnishings	**41,145,325**	**30,167,095**	42,665,710	30,618,420
Software	**3,331,282**	**2,930,085**	3,187,325	2,739,219
Construction and projects in progress	**1,732,745**	**—**	233,044	—
	276,644,502	**77,409,559**	276,340,456	73,097,022
Less accumulated amortization	**77,409,559**		73,097,022	
Net book value	**199,234,943**		203,243,434	

Once construction and projects in progress is complete, the assets are transferred to their respective category of capital assets and amortization is recorded.

8. Deferred contributions

Deferred contributions consist of the following:

	2021	**2020**
	$	$
Expenses of future periods [a]	**1,217,463**	1,216,923
Capital assets [b]	**186,448,985**	191,583,252
	187,666,448	192,800,175
Less current portion of deferred contributions	**(389,731)**	(389,731)
	187,276,717	192,410,444

[a] Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods represent unspent grants and investment income earned on unspent externally restricted donations for nursing education and palliative care.

	2021	2020
	$	$
Balance, beginning of year	**1,216,923**	1,215,934
Add investment income restricted for other operating purposes	**540**	989
Balance, end of year	**1,217,463**	1,216,923

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2021	2020
	$	$
Balance, beginning of year	**191,583,252**	196,662,110
Additional contributions received *[note 3]*	**992,506**	1,095,293
Investment income on unspent capital contributions	**69,127**	89,944
Less amounts amortized to revenue	**(6,195,900)**	(6,264,095)
Balance, end of year	**186,448,985**	191,583,252

The balance of deferred contributions related to capital assets consists of the following:

	2021	2020
	$	$
Unamortized capital contributions used to purchase capital assets	**179,394,734**	185,226,359
Unspent contributions	**7,054,252**	6,356,893
	186,448,986	191,583,252

9. Restrictions on net assets

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact in perpetuity, and that investment income on endowment funds be restricted for capital purposes and added to deferred capital contributions.

10. Contract with the Ministry of Children, Community and Social Services ["MCCSS"]

The Hospital has a service contract with the MCCSS. One requirement of the contract is the production by management of a Transfer Payment Annual Reconciliation, which shows a summary by service of all revenue and expenditures and any resulting surplus or deficit that relates to the contract. During the year, the Hospital received revenue and incurred expenses as follows:

Notes to financial statements

March 31, 2021

	Program				
	9132	9135	8886	9137	9135
Revenue					
Ministry funding	4,547,207	1,063,349	2,669,646	845,353	239,897
Other revenue	60,148	—	150,000	—	—
Total revenue	4,607,355	1,063,349	2,819,646	845,353	239,897
Expenses					
Salaries and benefits	3,119,127	848,919	685,904	—	—
Allocated central administration	406,495	106,335	280,086	—	—
Transportation and communication	35,303	35,703	3,790	—	—
Services	962,181	71,684	1,848,474	845,353	239,897
Supplies and equipment	61,214	618	1,392	—	—
Other transactions	23,035	90	—	—	—
Total expenses	4,607,355	1,063,349	2,819,646	845,353	239,897
Surplus	—	—	—	—	—

	Program				
	Haldimand 9132	A348	A349	A352	A354
Revenue					
Ministry funding	211,209	77,060	179,808	16,156	12,413
Other revenue	—	—	—	—	—
Total revenue	211,209	77,060	179,808	16,156	12,413
Expenses					
Salaries and benefits	175,922	78,042	182,098	13,375	15,772
Allocated central administration	21,121	—	—	—	—
Transportation and communication	1,200	—	—	—	—
Services	11,766	—	—	—	—
Supplies and equipment	1,200	—	—	1,575	1,575
Other transactions	—	1,130	2,638	—	—
Total expenses	211,209	79,172	184,736	14,950	17,347
Surplus (deficit)	—	(2,112)	(4,928)	1,206	(4,934)

11. Employee future benefits

[a] Pension plan

Pension benefit costs are expensed, as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"]. All of the employees of the Hospital are members of HOOPP, which is a multi-employer, defined benefit, final average earnings and contributory pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provides the highest earnings. The Hospital's contributions to HOOPP during the year amounted to $5,275,411 [2020 – $5,140,044], of which $553,025 was owing as at March 31, 2021 and is recorded in other accounts payable and accrued liabilities on the statement of financial position.

The financial statements for the year ended December 31, 2020 for HOOPP disclosed net assets available for benefits of $103,983 million [2019 – $94,102 million] with pension obligations of $79,852 million [2019 – $73,547 million] resulting in a surplus of $24,131 million [2019 – $20,555 million].

[b] Other post-employment benefits

Retirees are eligible for life insurance, medical and dental benefits covered under the non-pension post-retirement benefit plan after they turn 55. The plan is funded on a pay-as-you-go basis and the Hospital funds on a cash basis as benefits are paid. During the year, benefits paid totaled $180,707 [2020 – $143,456].

The most recent actuarial valuation was completed as at March 31, 2021 and significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for post-employment benefits are as follows:

	2021 $	**2020** $
Accrued benefit obligation		
Discount rate	**2.9%**	3.1%
Health care trend rate inflation increase	**4.2%**	6.7%
Accrued benefit expense		
Discount rate	**2.9%**	3.0%

The health care inflation increase is expected to decrease to an ultimate rate of 4% in 2041 and thereafter. The expected average remaining service life of employees is 13.2 years.

The following table presents information related to the Hospital's post-retirement benefits as at March 31, including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

	2021	**2020**
	$	$
Accrued benefit obligation		
Balance, beginning of year	**2,214,300**	2,209,100
Current service cost	**128,100**	127,400
Interest cost	**70,900**	67,200
Benefits paid	**(157,500)**	(145,000)
Actuarial (gain) loss	**145,400**	(44,400)
Balance, end of year	**2,401,200**	2,214,300
Unamortized net actuarial gain	**50,500**	204,900
Post-employment benefits liability	**2,451,700**	2,419,200

During the year, employees contributed $94,760 [2020 – $79,157]. Unamortized actuarial losses are amortized over the average remaining service period. The Hospital's benefit plan expense was as follows:

	2021	**2020**
	$	$
Current service cost	**128,100**	127,400
Interest cost	**70,900**	67,200
Amortization of net actuarial gains	**(9,000)**	(5,600)
Net benefit plan expense	**190,000**	189,000

12. Related party transactions

Amounts due from related entities included in other accounts receivable are as follows:

	2021	**2020**
	$	$
Oxford ProResp Inc. *[note 6]*	**219,000**	130,000
Woodstock Hospital Foundation *[note 3]*	**54,778**	96,325
	273,778	226,325

On April 27, 2021, the Board of Directors passed a resolution to transfer funds in the amount of $180,766 [2020 – $264,759] to the Woodstock Hospital Foundation. This transfer is recorded in other accounts payable and accrued liabilities and supplies and other expenses.

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

13. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2021	2020
	$	$
Decrease (increase) in current assets		
MOH/SW-LHIN/CCO accounts receivable	**(1,662,121)**	(109,747)
Other accounts receivable	**(797,089)**	(243,327)
Inventories	**(206,390)**	(29,080)
Prepaid expenses	**14,590**	(79,247)
Asset held for sale	**540,400**	—
	(2,110,610)	(461,401)
Increase (decrease) in current liabilities		
MOH/SW-LHIN/CCO accounts payable	**1,469,865**	331,922
Other accounts payable and accrued liabilities	**3,706,871**	(1,784,844)
	5,176,736	(1,452,922)
	3,066,126	(1,914,323)

14. Long-term obligation

The Hospital entered into an alternative financing and procurement [“AFP”] project agreement under Infrastructure Ontario for the construction, financing and maintenance of a new hospital in Woodstock. The project was built and financed during the construction period by an unrelated joint venture created to carry out the construction within the AFP agreement. Construction commenced in October 2008 and was substantially complete in June 2011. Under the terms of the project agreement, payments that total approximately $584 million will be made by the Hospital over a 30-year period with payments having commenced after the substantial completion date. Of this total amount, payments for principal and interest are expected to be $397 million. As at March 31, 2021, an obligation of $137 million [2020 – $141 million] has been recorded related to outstanding principal amounts. Based on the agreement signed with the MOH, the Hospital has recognized the share of MOH funding for the new hospital as a long-term receivable in the amount of $137 million [2020 – $141 million] and a corresponding deferred contribution. The Hospital, through its Local Share Plan, will continue to receive funding to satisfy its obligations from the City of Woodstock, with the balance of funding [if any] coming from the Hospital.

Over the 30-year period, payments related to facilities and lifecycle maintenance are expected to be $141 million and $45 million, respectively. Payments related to facilities and lifecycle maintenance costs will be indexed over the term of the agreement to provide for changes in certain operating costs. The Hospital has entered into an agreement with the MOH to share in these project costs based on MOH funding policy. The MOH share of costs associated with constructing the new hospital is 90%.

Notes to financial statements

In addition, a Sinking Fund Trust Account was opened by the Hospital according to requirements under the Development Accountability Agreement with the MOH. The primary purpose of this fund was to hold amounts equal to the Hospital's share of the costs associated with constructing the new hospital in trust for future disbursement to other parties. It currently holds $2,541,111 in restricted cash [2020 – $3,191,650] *[note 4].* Unspent capital funds received of $10.4 million [2020 – $10.3 million] from the MOH for new hospital development costs are restricted by the MOH for that purpose and have been shown in the financial statements as part of the Ministry of Health and Long-Term Care payable and included in the Hospital's restricted cash *[note 4].*

15. Commitments

Future annual principal, interest, service, and facilities and lifecycle maintenance payments to pay for operating facility obligations are as follows:

	MOH share $	Hospital share $	Total $
2022	14,508,365	3,645,370	18,153,735
2023	14,840,010	3,756,385	18,596,395
2024	14,751,139	3,817,556	18,568,695
2025	14,501,164	3,860,531	18,361,695
2026	14,798,880	3,971,731	18,770,611
Thereafter	252,278,104	74,190,207	326,468,311

A portion of these future obligations are to be funded by the MOH over the term of the contract.

16. Contingencies

[a] The Hospital is subject to certain actual and potential legal claims that have arisen in the normal course of operations. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments are determined to be required. With respect to claims as at March 31, 2021, it is management's position that the Hospital has valid defenses and appropriate insurance coverage to reimburse the cost of unfavorable settlements, if any, which may result from such claims.

[b] The Hospital routinely engages in collective bargaining and is subject to various human rights matters under Provincial legislation when employees or groups within the bargaining units file grievances against the Hospital or when the collective bargaining agreements are negotiated, which may result in retroactive pay.

[c] The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"] and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2021.

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.

In 2012, the Hospital entered into an agreement with HIROC whereby HIROC continues to provide indemnity insurance to hospitals; however, the cost of investigating and defending any litigation claims, previously included in the insurance premium, will be borne by the Hospital. Under the agreement, the Hospital provides deposits to HIROC Management Limited, which acts as an agent to pay legal expenses on behalf of the Hospital. During the year, nil deposits were paid to HIROC [2020 – nil].

17. Financial instruments

The Hospital's results and operations have been and will continue to be impacted by the COVID-19 pandemic. The adverse effects, including but are not limited to, a decline in interest rates, increase in counterparty credit risk, volatility in financial markets and disruptions of operations. Significant uncertainty remains regarding the breadth and depth of these events and the long-term impact on the Hospital and its affiliates. In addition to this, the Hospital's operations and investment activities expose it to a range of financial risks. To manage the risks identified for its investments, the Hospital has an investment policy setting out a target mix of investments designed to provide optimal rate of return within reasonable risk tolerances. The investment policy is reviewed annually.

Market risk

Market risk is the risk that changes in market prices and market conditions, such as foreign exchange rates or interest rates, will affect the Hospital's excess of revenue over expenses or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

Foreign exchange risk

The Hospital is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

The Hospital is exposed to foreign exchange risk with respect to investments denominated in U.S dollars and other international currencies. As at March 31, 2021, the Hospital held C$3,030,877 [2020 – C$1,254,866] of investments denominated in U.S. dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets with fixed interest rates expose the Hospital to fair value interest rate risk. The Hospital is not exposed to interest rate risk on financial liabilities.

The Hospital's investments including bonds are disclosed in Note 5. To manage the risks identified for its investments, the Hospital has an investment policy setting out a target mix of investments designed to provide optimal rate of return within reasonable risk tolerances. The investment policy is renewed annually.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default or insolvency of a borrower on its obligations to the Hospital. The Hospital monitors the credit risk on a regular basis. The Hospital is exposed to credit risk with respect to cash and cash equivalents, restricted cash, portfolio investments and accounts receivable. The majority of the Hospital's receivables are from government entities, which minimizes the risk of non-collection for accounts receivable. The maximum credit risk is the carrying value of these assets. During fiscal 2021, the Hospital invested in bonds thereby increasing credit exposure. The maximum exposure to credit risk relating to investment is outlined in note 5. The Hospital does not invest in bonds below investment grade.

Liquidity risk

Liquidity risk is the risk of the Hospital being unable to meet its cash requirements in a timely and cost-effective manner. The Hospital has a planning and budgeting process in place to help determine the funds required to support the Hospital's normal operating requirements on an ongoing basis. The Hospital also manages its liquidity risk by forecasting cash flows from operations and anticipated investing, capital and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

Financial instrument classification

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1 – valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

Cash and cash equivalents and portfolio investments held by the Hospital are classified as Level 1 and Level 2, respectively, according to the fair value hierarchy described above. There have been no material transfers between Levels 1 and 2 for the year ended March 31, 2021.