

Erie Shores HealthCare

Financial Statements
March 31, 2020

INDEPENDENT AUDITOR'S REPORT

**To the Directors and Members of
Erie Shores HealthCare**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Erie Shores HealthCare, which comprise:

- the statement of financial position as at March 31, 2020
- the statement of changes in net assets for the year then ended
- the statement of operations for the year then ended
- the statement of cash flow for the year then ended
- and notes to the financial statements, including summary of 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 Erie Shores HealthCare as at March 31, 2020, and the results of its financial activities and cash flow 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 Erie Shores HealthCare in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statement and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Erie Shores HealthCare'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 Erie Shores HealthCare or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Erie Shores HealthCare'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 Erie Shores HealthCare'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 Erie Shores HealthCare'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 Erie Shores HealthCare 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Erie Shores HealthCare to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Erie Shores HealthCare's audit. We remain solely responsible for our audit opinion.

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.

**HICKS, MacPHERSON, IATONNA
& DRIEDGER LLP**

*Hicks, MacPherson, Iatonna
& Driedger LLP*

Chartered Professional Accountants
Licensed Public Accountants

Leamington, Ontario
June 22, 2020

Erie Shores HealthCare
Statement of Financial Position
as at March 31

	2020	2019
Assets		
Current		
Cash	\$ 4,851,143	\$ 3,087,975
Accounts receivable (notes 3 and 9)	3,626,051	6,226,267
Inventories (note 1)	175,008	99,109
Prepaid expenses	830,023	679,942
	9,482,225	10,093,293
Capital Assets (notes 1 and 4)	19,117,911	15,419,982
	\$ 28,600,136	\$ 25,513,275
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 6,840,466	\$ 6,886,207
Unearned revenue	369,727	449,680
	7,210,193	7,335,887
Deferred Contributions Relating to Capital Assets (note 5)	18,039,096	13,533,935
Post-Employment Benefits (notes 1 and 13)	1,083,300	980,600
	26,332,589	21,850,422
Net Assets		
Invested in capital assets (note 12)	1,078,815	1,886,047
Unrestricted	1,188,732	1,776,806
	2,267,547	3,662,853
	\$ 28,600,136	\$ 25,513,275

See accompanying notes to financial statements

On Behalf of the Erie Shores HealthCare

_____ **Member**

_____ **Member**

Erie Shores HealthCare
Statement of Changes in Net Assets
for the years ended March 31

	Invested in Capital Assets	Unrestricted	2020 Total	2019 Total
Net Assets, Beginning of Year	\$ 1,886,047	\$ 1,776,806	\$ 3,662,853	\$ 4,929,374
Excess of (expenses over revenue)	-	(1,395,306)	(1,395,306)	(1,266,521)
Net change in net assets invested in capital assets (note 12)	(807,232)	807,232	-	-
Net Assets, End of Year	\$ 1,078,815	\$ 1,188,732	\$ 2,267,547	\$ 3,662,853

See accompanying notes to financial statements

Erie Shores HealthCare
Statement of Operations
for the years ended March 31

	2020	2019
Revenue		
Ministry of Health and Long Term Care/Local Health Integration Network (note 6)	\$ 38,085,475	\$ 36,475,057
Patient services	7,038,171	6,293,204
Cancer Care Ontario	153,813	231,237
Other revenues and recoveries (note 7)	1,508,275	1,033,304
Amortization of deferred capital contributions - equipment (note 5)	1,373,942	1,191,550
	48,159,676	45,224,352
Expenses		
Salaries and purchased services	20,917,017	20,423,507
Employee benefits	6,256,557	5,472,538
Post-employment benefits (note 13)	183,400	175,600
Medical staff remuneration	8,967,304	7,766,810
Medical and surgical supplies	2,005,238	1,790,390
Drugs and medical gases	788,736	783,484
Supplies and other expenses	8,444,399	8,303,572
Amortization of equipment	1,381,407	1,240,779
	48,944,058	45,956,680
Excess of (Expenses Over Revenue) From Operations	(784,382)	(732,328)
COVID-19 expenses	(230,369)	-
Amortization of deferred capital contributions - building (note 5)	1,160,085	1,019,903
Amortization of buildings	(1,540,640)	(1,554,096)
Excess of (Expenses Over Revenue)	\$ (1,395,306)	\$ (1,266,521)

See accompanying notes to financial statements

Erie Shores HealthCare
Statement of Cash Flow
for the years ended March 31

	2020	2019
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Cash Flows From Operating Activities		
Cash receipts from ministry, patients etc.	\$ 48,176,333	\$ 42,362,828
Cash paid to suppliers, employees etc.	(47,962,041)	(43,249,155)
	<hr/> 214,292	<hr/> (886,327)
<hr/>		
Cash Flows From Capital Activities		
Acquisition of capital assets	(6,619,977)	(1,579,227)
Receipt of capital contributions	8,168,853	47,312
	<hr/> 1,548,876	<hr/> (1,531,915)
<hr/>		
Net Change in Cash	1,763,168	(2,418,242)
Cash, Beginning of Year	3,087,975	5,506,217
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Cash, End of Year	\$ 4,851,143	\$ 3,087,975
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See accompanying notes to financial statements

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

Nature of Business

Erie Shores HealthCare ("Hospital") is incorporated without share capital under the laws of Ontario. The Hospital is a registered charity and as such, is exempt from tax. The Hospital is principally involved in providing health care services to the Municipality of Leamington and its surrounding area.

1. Summary of Accounting Policies

Management Responsibility

The consolidated financial statements of the Erie Shores HealthCare are the representation of management prepared in accordance with accounting policies prescribed for government not-for-profit organizations as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Basis of Accounting

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

Related Entities

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of its auxiliaries.

The Erie Shores HealthCare Auxiliary elects their own officers and formulates their own by-laws. The Hospital has a right to approve such and make changes where necessary. The Auxiliary's financial results are reported in Note 10.

Erie Shores Health Foundation is separately managed and reports to a separate board of Trustees. The Foundation's financial results are reported in Note 9.

Use of Estimates

The preparation of financial statements in conformity with PSAB for government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of useful lives of capital assets, allowance for doubtful accounts, accrued liabilities, unearned revenue, deferred revenue relating to capital assets, inventory obsolescence, legal settlement/judgment and actuarial estimation of post-employment benefits.

Inventories

Inventories consist of medical, pharmaceutical and office supplies that are not for sale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

1. Summary of Accounting Policies (Cont'd)

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. Land for development is not amortized until its future use is certain and the land is being utilized to serve the Hospital. Amortization is provided on a straight-line basis over the estimated useful lives as set out below.

Land	0%
Parking Lots	10%
Land for Development	0%
Buildings	2% to 5%
Furnishings and Equipment	10% to 33 1/3%

Vacation Pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Revenue Recognition

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long Term Care (the "Ministry") and is negotiated jointly between the Hospital and the Erie St. Clair Local Health Integration Network (the "LHIN"). These financial statements reflect agreed funding arrangements approved by the LHIN with respect to the year ending March 31, 2020. Effective April 1, 2018, the Hospital was designated as a Non-HSFR Small Hospital by the Ministry of Health and Long Term Care. 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 a subsequent period.

The amount of any unrestricted contributions to the Hospital are not included in revenues until such time as funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate of the related asset.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

1. Summary of Accounting Policies (Cont'd)

Revenue Recognition (cont'd)

In particular, the amount of revenue recognized from the LHIN is a significant estimate. The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") that sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. 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 LHIN has the right to adjust funding received by the Hospital. The LHIN is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of LHIN funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

Revenue related to patient care and other activities is recognized when the service is provided.

Post-Employment Benefits

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

- (a) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.
- (b) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (c) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's long term cost of borrowing.

Leased Equipment

Equipment leased on terms which transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as "capital leases", and are therefore accounted for as though an asset had been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases and expensed in the year incurred.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

1. Summary of Accounting Policies (Cont'd)

Financial Instruments

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

Fair Value

This category includes cash.

Amortized Cost

This category includes accounts receivable, accounts payable and accrued liabilities, unearned revenue and post-employment benefits. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Contributed Services

A substantial number of volunteers contribute a significant amount of time to assist the Hospital in carrying out its activities. The fair market value of these services is not readily determinable and, as such, it is not reflected in these statements.

2. Financial Instrument Classification

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

	Fair Value	Amortized Cost	Total
Cash	\$ 4,851,143	\$ -	\$ 4,851,143
Accounts receivable	-	3,626,051	3,626,051
Accounts payable and accrued liabilities	-	6,840,467	6,840,467
Unearned revenue	-	369,727	369,727
Post-employment benefits	-	1,083,300	1,083,300
	\$ 4,851,143	\$ 11,919,545	\$ 16,770,688

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

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

3. Accounts Receivable

	2020	2019
Insurers and patients	\$ 1,138,197	\$ 946,552
Ministry of Health and Long-Term Care	7,998	1,739,998
Erie Shores Health Foundation	2,051,347	3,149,898
HST Rebates/Other	649,577	477,803
	3,847,119	6,314,251
Less: Allowance for doubtful accounts	221,068	87,984
	\$ 3,626,051	\$ 6,226,267

4. Capital Assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	\$ 8,104	\$ -	\$ 8,104	\$ 8,104
Parking lots	1,734,080	1,416,485	317,595	363,772
Land for development	742,186	-	742,186	742,186
Buildings	39,492,814	29,038,656	10,454,158	11,059,383
Furnishings and equipment	24,398,315	21,037,237	3,361,078	2,388,599
Construction in progress	4,234,790	-	4,234,790	857,938
	\$ 70,610,289	\$ 51,492,378	\$ 19,117,911	\$ 15,419,982

5. Deferred Contributions Relating to Capital Assets

	2020	2019
Balance, Beginning of Year	\$ 13,533,935	\$ 14,698,076
Additions (received or receivable)	7,039,188	1,047,312
Amortization of completed projects - equipment	(1,373,942)	(1,191,550)
Amortization of completed projects - building	(1,160,085)	(1,019,903)
Balance, End of Year	\$ 18,039,096	\$ 13,533,935

6. Ministry of Health and Long Term Care/Local Health Integration Network

	2020	2019
LHIN global allocation	\$ 29,761,006	\$ 29,301,759
One time payments	4,735,500	3,703,453
Other revenue from MOHLTC/LHIN	3,588,969	3,469,845
	\$ 38,085,475	\$ 36,475,057

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

7. Other Revenues and Recoveries

	2020	2019
Interest	\$ 57,268	\$ 63,075
Rent	127,858	98,887
External recoveries	767,648	466,775
Parking	403,844	363,309
Other	151,657	41,258
	\$ 1,508,275	\$ 1,033,304

8. Pension Plan

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$1,652,258 (2019 - \$1,636,632) and are included in employee benefits in the statement of operations.

9. Related Entities

(a) The Erie Shores Health Foundation

The Hospital has an economic interest in the Erie Shores Health Foundation (the "Foundation") as one of the Foundation's mandates is to raise funds to support the Hospital. The Foundation is a tax exempt entity without share capital incorporated under the laws of Ontario. The accounting policy followed in reporting the foundation is note disclosure.

The transactions with the Foundation include a total of \$2,015,347 (2019 - \$3,149,898) recorded as Accounts Receivable. The Board and management have determined that all amounts will be collected within the next fiscal year and is included in current accounts receivable. All amounts have been recorded at the exchange amount.

The assets, liabilities, results of operations and cash flows for the Foundation for the years ended March 31 are as follows:

	2020	2019
Financial position:		
Total assets	\$ 17,519,181	\$ 25,174,781

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

9. Related Entities (Cont'd)

	2020	2019
Total liabilities	\$ 3,069,713	\$ 4,902,894
Net assets	14,449,468	20,271,887
	\$ 17,519,181	\$ 25,174,781

Results of operations:

Total revenue	\$ 2,262,151	\$ 3,371,967
Total expenses	1,812,006	1,189,039
Total contributions to ESHC	6,272,564	1,105,329
Net income for the year	\$ (5,822,419)	\$ 1,077,599

Cash flows:

Operating	\$ (6,473,273)	\$ 1,502,574
Investing	5,969,375	70,161
Financing	(200,000)	(200,000)

(b) TransForm Shared Services Organization

The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hotel-Dieu Grace Healthcare (HDGH) and Windsor Regional Hospital (WRH) operates a not-for-profit without share capital under the laws of the Province of Ontario shared service organization called TransForm Shared Service Organization (TransForm). TransForm was a result of the amalgamation of PROcure Healthcare, which provided the purchasing and payment responsibilities and Consolidated Health Information Services (CHIS), which provided Information Technology/Information System services for the five hospitals.

10. Erie Shores HealthCare Auxiliary

The Auxiliary is a volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws, the stated purpose of the Auxiliary is to assist the Hospital. For the year ended August 31, 2019, the Auxiliary reported gross revenues of \$125,281 and total expenses of \$69,869 with a resulting net income of \$55,412 (2019 - \$141,644, \$92,579 and \$49,065 respectively). During the year, the Auxiliary donated equipment with a value of \$44,128 (2019 - \$76,077) to the Hospital.

11. Commitments, Contingencies and Guarantees

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2020, management believes the Hospital has valued defences and appropriate insurance 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.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

11. Commitments, Contingencies and Guarantees (Cont'd)

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid after actuarial determination are not sufficient to cover claims, the Hospital will be required to provide additional premium payment on a proportional basis. Similarly, if HIROC has accumulated an unappropriated surplus, which are the total premiums paid by all subscribers plus investment income, less the obligation for claim reserves, expenses and operating expenses, these surpluses may be paid out to the members on a proportional basis. As at March 31, 2020, no assessments or refund of premiums has been made.

To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties.

As of March 31, 2020, the Hospital has committed to purchasing various pieces of diagnostic and other capital equipment including renovations worth a combined total of \$3,799,500 (2019 - \$1,123,000). These funds were included in the capital budget for March 31, 2020 and have yet to be spent. In addition, the Hospital has formulated a three year plan to upgrade other diagnostic imaging equipment at an estimated cost of \$7,000,000. Total amount spent to March 31, 2020 is \$1,221,610.

During the 2020 fiscal year, the Hospital has committed to the implementation of a new hospital information system. This system is anticipated to be implemented over the next two fiscal years and includes the capital equipment of \$6,000,000 and the implementation costs of \$2,000,000. The operating costs over a ten year period are estimated to be \$7,700,000. A total of \$4,215,940 has been paid and is included under construction in progress as at March 31, 2020. The Erie Shores Health Foundation has agreed to fund the capital costs of this project and the Hospital has secured additional line of credit availability to fund any shortfalls in funding dollars (note 14).

The Hospital along with the four Hospitals within the Erie St. Clair LHIN entered into an agreement in 2009 that resulted in the creation of a non-share capital, not-for-profit corporation known as TransForm to provide supply chain and IT services to the member hospitals. The Hospital has provided a guarantee to CIBC on behalf of Transform for its line of credit. The line of credit has an authorized maximum of \$1,300,000 with the Hospital's share amounting to 10.045% or \$130,585. To date nothing has been drawn on this line.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

11. Commitments, Contingencies and Guarantees (Cont'd)

Transform carries a number of leases on behalf of the five member hospitals for shared IT data equipment. The Hospital's share of the lease payments over the terms of these leases are as follows:

	2021	\$	57,018
	2022		40,142
	2023		29,269
	2024		21,712
	2025		9,606
		\$	157,747

12. Net Assets Invested in Capital Assets

	2020		2019
<i>Net assets invested in capital assets is calculated as follows:</i>			
Capital assets - net	\$ 19,117,911	\$	15,419,982
<i>Less amounts funded by:</i>			
Deferred capital contributions	(18,039,096)	(13,533,935)	
	\$ 1,078,815	\$	1,886,047
<i>The net change in net assets invested in capital assets is calculated as follows:</i>			
Purchase of capital assets	\$ 6,619,977	\$	1,579,227
Amounts funded by deferred capital contributions	(7,039,189)	(1,047,312)	
Amortization of capital assets	(2,922,047)	(2,794,875)	
Amortization of deferred capital contributions	2,534,027	2,211,453	
	\$ (807,232)	\$	(51,507)

13. Post-Employment Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed in April, 2019.

As at March 31, 2020, the Hospital's post-employment benefits and related expenses are as follows:

	2020		2019
Accrued benefit obligation	\$ 1,458,000	\$	1,407,000
Unamortized losses	(374,700)	(426,400)	
Accrued liability	\$ 1,083,300	\$	980,600

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

13. Post-Employment Benefits (Cont'd)

	2020	2019
Current year service cost	\$ 85,500	\$ 80,600
Interest on accrued benefit obligation	46,200	45,900
Amortized actuarial loss	51,700	49,100
Total expense	\$ 183,400	\$ 175,600

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described in note 8.

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

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

Discount rate - 2020	3.29%
Discount rate - 2019	3.18%
Dental benefits cost escalation	4%
Medical benefits cost escalation - prescription drugs	5.8% in 2020 decreasing by 0.1% per annum to an ultimate rate of 3.9% in 2037 and thereafter

14. Lines of Credit

The Hospital has arranged for various credit facilities to assist with the upcoming capital projects. The Hospital has available a \$4,000,000 line of credit to assist with operational needs as well as \$9,000,000 in three separate credit facilities to assist with various capital additions and the upcoming hospital information system project. All lines of credit will carry interest at Royal Bank prime minus 0.5% (currently 1.95%). The Hospital has not drawn on any of the available credit.

15. Capital Management

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the Hospital is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2020, the Hospital met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

Erie Shores HealthCare
Notes to Financial Statements
for the years ended March 31

16. Economic Dependence

The Hospital received a significant portion of its total revenue from the Erie St. Clair LHIN and Ministry of Health and Long-Term Care.

17. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, each of the Hospital's cash accounts are insured up to \$100,000 (2019 - \$100,000).

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

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

	Total	1 - 30	31 - 60	61 - 90	> 90
Inpatients	\$ 155,087	\$ 36,199	\$ 66,481	\$ 4,155	\$ 48,252
Outpatients	202,203	12,525	10,096	6,230	173,352
OHIP/Other provinces	780,907	228,549	547,223	25,365	(20,230)
MOH-LTC	7,998	7,998	-	-	-
Erie Shores Health Foundation	2,051,347	2,013,008	-	-	38,339
Miscellaneous	649,577	552,229	(64,702)	11,359	150,691
Gross receivables	<u>3,847,119</u>	<u>\$ 2,850,508</u>	<u>\$ 559,098</u>	<u>\$ 47,109</u>	<u>\$ 390,404</u>
Less: allowance	<u>(221,068)</u>				
Net receivables	<u>\$ 3,626,051</u>				

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

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

Erie Shores HealthCare
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17. Financial Instrument Risk Management (Cont'd)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

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

Interest Rate Risk

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

The Hospital is exposed to this risk through its guarantee on TransForm's operating leases.

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

Liquidity Rate Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash resources at all times. There have been no significant changes to liquidity rate risk from the previous year. The following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years
Accounts payable and accrued liabilities	\$ 4,936,538	\$ 1,626,582	\$ 166,390
Unearned revenue	240,346	240,346	-
	\$ 5,176,884	\$ 1,866,928	\$ 166,390

18. Subsequent Event

On March 17, 2020, the Province of Ontario declared a state of emergency related to the COVID-19 pandemic. As a result of the directives issued by both the Province of Ontario and the Ministry of Health and Long Term Care, the Hospital has made changes to its operations in preparation for this event. The economic impact of these events on the Hospital's operations cannot be reliably estimated at this time.