Financial Statements of

ERIE SHORES HEALTHCARE

And Independent Auditors' Report thereon

Year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Directors and Members of Erie Shores HealthCare

Opinion

We have audited the financial statements of Erie Shores HealthCare (the "Hospital"), 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 cash flows for the year then ended
- and the 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 the Hospital as at March 31, 2021, and its results of operations, its changes 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 responsibility under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' 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 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 Matter – Comparative Information

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on these financial statements on June 22, 2020.

Responsibility 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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- 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 purposes 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 the 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 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 Hospital's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 29, 2021

ERIE SHORES HEALTHCARE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash	$	4,260,924	$	4,851,143
Accounts receivable (notes 3 and 9)		6,730,314		3,626,051
Inventories		354,967		175,008
Prepaid expenses		557,509		830,023
		11,903,714		9,482,225
Capital assets (note 4)		21,316,320		19,117,911
	$	33,220,034	$	28,600,136
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 15)	$	7,916,896		6,840,466
Unearned revenue		412,948		369,727
		8,329,844		7,210,193
Deferred contributions for capital assets (note 5)		20,760,656		18,039,096
Post-employment benefits (note 13)		1,168,700		1,083,300
		30,259,200		26,332,589
Net assets:				
Invested in capital assets (note 12)		555,664		1,078,815
Unrestricted		2,405,170		1,188,732
		2,960,834		2,267,547
Commitments and contingencies (note 11)				
	$	33,220,034	$	28,600,136

See accompanying notes to financial statements.

On behalf of the Board:

_________________________ Chair

ERIE SHORES HEALTHCARE

Statement of Operations

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

	2021	2020
Revenues:		
Ministry of Health /Local Health Integration Network (note 6)	$ 47,284,590	$ 38,085,475
Patient services	5,609,982	7,038,171
Cancer Care Ontario	68,929	153,813
Other revenues and recoveries (note 7)	1,158,547	1,508,275
Amortization of deferred capital contributions - equipment (note 5)	1,415,298	1,373,942
	55,537,346	48,159,676
Expenses:		
Salaries and purchased services	24,957,949	21,018,865
Employee benefits	6,533,017	6,278,218
Post-employment benefits (note 13)	152,800	183,400
Medical staff remuneration	9,012,680	8,967,304
Medical and surgical supplies	1,904,518	2,009,830
Drugs and medical gases	584,684	788,736
Supplies and other expenses	9,818,647	8,546,667
Amortization of equipment	1,421,259	1,381,407
	54,385,554	49,174,427
Excess (deficiency) of revenues over expenses from operations	1,151,792	(1,014,751)
Amortization of deferred capital contributions - building (note 5)	1,138,006	1,160,085
Amotization of buildings	(1,596,511)	(1,540,640)
Excess (deficiency) of revenues over expenses	$ 693,287	$ (1,395,306)

See accompanying notes to financial statements

ERIE SHORES HEALTHCARE

Statement of Change in Net Assets

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

	Invested in Capital assets	Unrestricted	2021	2020
Net assets, beginning of year	$ 1,078,815	$ 1,188,732	$ 2,267,547	$ 3,662,853
Excess (deficiency) of revenues over expenses	-	693,287	693,287	(1,395,306)
Changes in net assets invested in capital assets (note 12)	(523,151)	523,151	-	-
Net assets, end of year	$ 555,664	$ 2,405,170	$ 2,960,834	$ 2,267,547

See accompanying notes to financial statements.

ERIE SHORES HEALTHCARE

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ 693,287	$ (1,395,306)
Items not involving cash:		
Amortization of equipment	1,421,259	1,381,407
Amortization of buildings	1,596,511	1,540,640
Change in employee future benefit liability	85,400	102,700
Amortization of deferred capital contributions	(2,553,304)	(2,534,027)
Changes in non-cash working capital balances:		
Accounts receivable	(3,104,263)	2,600,216
Inventories	(179,959)	(75,899)
Prepaid expenses	272,514	(150,081)
Accounts payable and accrued liabilities	1,076,430	(45,741)
Unearned revenue	43,221	(79,953)
	(648,904)	1,343,956
Capital activities:		
Purchase of capital assets	(5,216,179)	(6,619,976)
Receipt of deferred capital contributions, net	5,274,864	7,039,188
	58,685	419,212
Increase (decrease) in cash	(590,219)	1,763,168
Cash, beginning of year	4,851,143	3,087,975
Cash end of year	$ 4,260,924	$ 4,851,143

See accompanying notes to financial statements.

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 Windsor-Essex County.

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:

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 (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, 2021. Effective April, 2018, the Hospital was designated as a Non-HSFR Small Hospital by the Ministry. 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.

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.

(b) 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.

1. **Significant accounting policies (continued):**

(c) 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 is written down to its residual value.

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 %

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.

(d) Vacation pay:

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

(e) 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:

The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, future salary levels, retirement ages of employees, discount rates and other actuarial factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2020.

Adjustments to 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. The average remaining service period of the active employees is 7.8 years.

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

The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no pension asset or liability has been recorded in the Hospital’s financial statements.

The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's long term cost of borrowing.

1. Significant accounting policies (continued):

(f) 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.

(g) 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:

(i) Fair value:

This category includes cash.

(ii) 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.

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

(iii) 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.

(h) 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 ("Auxiliary") elects their own officers and formulates their own bylaws. The Hospital has a right to approve such and make changes where necessary.

Erie Shores Health Foundation ("Foundation)" is separately managed and reports to a separate board of Trustees.

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements 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 year. Actual results could differ from these estimates. Areas of key estimation include determination of useful lives of capital assets, revenue from LHIN/ the Ministry, 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.

(j) Restricted net assets:

The Hospital records certain contributions as restricted funds. Contributions are either externally restricted for specific purposes by the funder, or internally restricted for specific purposes by the Board of Directors.

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	2021 Total
Cash	$ 4,260,924	$ –	$ 4,260,924
Accounts receivable	–	6,730,314	6,730,314
Accounts payable and accrued liabilities	–	7,916,896	7,722,297
Unearned revenue	–	412,948	412,948
Post-employment benefits	–	1,168,700	1,168,700
	$ 4,260,924	$ 16,228,858	$ 20,489,782

	Fair Value	Amortized cost	2020 Total
Cash	$ 4,851,143	$ –	$ 4,851,143
Accounts receivable	–	3,626,051	3,626,051
Accounts payable and accrued liabilities	–	6,840,466	6,840,466
Unearned revenue	–	369,727	369,727
Post-employment benefits	–	1,083,300	1,083,300
	$ 4,851,143	$ 11,919,544	$ 16,770,687

3. Accounts receivable:

	2021	2020
Insurers and patients	$ 1,179,379	$ 1,138,197
Ministry	3,440,751	7,998
LHIN	602,400	–
Erie Shores Health Foundation	1,135,733	2,051,347
HST rebates/other	467,763	649,577
	6,826,026	3,847,119
Less: Allowance for doubtful accounts	95,712	221,068
	$ 6,730,314	$ 3,626,051

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 8,104	$ –	$ 8,104	$ 8,104
Parking lots	1,734,081	1,462,662	271,419	317,595
Land for development	742,186	–	742,186	742,186
Buildings	39,781,092	30,588,989	9,192,103	10,454,158
Furnishings and equipment	25,387,055	22,404,478	2,982,577	3,361,078
Construction in progress	8,119,931	–	8,119,931	4,234,790
	$ 75,772,449	$54,456,129	$ 21,316,320	$ 19,117,911

5. Deferred contributions relating to capital assets:

	2021	2020
Balance, beginning of year	$ 18,039,096	$ 13,533,935
Additions	5,274,864	7,039,188
Amortization of completed projects – equipment	(1,415,298)	(1,373,942)
Amortization of completed projects – building	(1,138,006)	(1,160,085)
Balance, end of year	$ 20,760,656	$ 18,039,096

6. Revenues - Ministry /LHIN:

	2021	2020
LHIN global allocation	$ 33,256,949	$ 29,761,006
One time payments	1,510,284	4,735,500
Pandemic funding	8,327,111	–
Other revenue from the Ministry /LHIN	4,190,246	3,588,969
	$ 47,284,590	$ 38,085,475

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. 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.

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. 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 pandemic funding included in revenue for the current year are summarized below:

Funding for incremental COVID-19 operating expenses	$ 5,443,876
Funding for Assessment Centre specimen collection	979,982
Funding for revenue losses resulting from COVID-19	602,400
Funding for pandemic pay program	720,783
Funding for temporary physician pay	580,070
	$ 8,327,111

In addition to the above, the Hospital has also recognized $175,900 in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

7. Other revenue and recoveries:

	2021	2020
Interest	$ 16,053	$ 57,268
Rent	94,279	127,858
External recoveries	682,956	767,648
Parking	237,081	403,844
Other	128,178	151,657
	$ 1,158,547	$ 1,508,275

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 $1,768,639 (2020 - $1,652,258) and are included in employee benefits in the statement of operations for the Hospital.

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. Donations to the Hospital from the Foundations' boards of directors are required to meet prioritized needs not funded by the traditional sources. The net assets and results from operations of the Foundations are not included in the financial statements of the Hospital.

As at year end, an amount of $1,135,733 (2020 - $2,015,347) is recorded as accounts receivable from the Foundation. The Board and management have determined that all amounts will be collected within the next fiscal year and is included in current accounts receivable. During the year, the Hospital received donations in cash of $5,572,012 (2020 - $7,413,477) from the Foundation to assist with capital and other initiatives.

	2021	2020
Financial position :		
Total assets	$12,951,411	$ 17,519,178
Total liabilities	2,088,333	3,069,714
Net assets	$10,863,078	$ 14,449,464

9. Related entities (continued):

(a) The Erie Shores Health Foundation (continued):

	2021	2020
Results of operations:		
Total revenue	$ 2,874,836	$ 2,262,151
Total expenses	2,167,915	1,812,004
Total contributions to ESHC	4,293,315	6,272,564
Net loss for the year	$ 3,586,394	$ 5,822,417

(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 provides information technology and system (“IT/IS”) services and regional supply chain management (procurement, logistics and contract management) to the five participating member Hospitals. These services are provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated between the Hospitals based on the provincial government funding provided to each Hospital as of the most recent fiscal year. In addition, the Hospital contributes toward approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, the Hospital paid $1,100,010 (2020 - $973,516) to TransForm based on the funding formula as outlined in the Regular Member Service Agreement for IT/IS services, purchasing and payment processing, and leases. These expenditures are included in supplies and expenses on the statement of operations.

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, 2020, the Auxiliary reported gross revenues of $187,023 and total expenses of $91,757 with a resulting net income of $95,266 (2019 - $125,281, $69,869 and $55,412 respectively). During the year, the Auxiliary donated equipment with a value of $100,537 (2020 - $44,128) to the Hospital.

11. Commitments and contingencies:

(a) Contingencies:

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, 2021, management believes the Hospital has valid 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.

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 an 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, 2021, 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.

(b) Commitments:

The Hospital has formulated a five-year plan to purchase various pieces of diagnostic and other capital equipment including renovations at an estimated cost of $7,000,000. As at March 31, 2021 the Hospital has spent $1,367,750 and has committed to a further $1,084,435. These funds were included in the capital budget for March 31, 2021.

In June 2020, a new hospital information system was implemented at the Hospital and replaced the existing hospital information systems, however the overall project is yet to be completed at other participating hospitals. The project budget includes capital equipment of $6,000,000 and implementation costs of $2,000,000. The Hospital’s share of the operating costs committed to the vendor over a ten-year period are estimated to be $7,700,000. A total of $7,677,720 (2020 - $4,215,940) has been paid and is included under construction in progress as at year end. The Foundation has agreed to fund the capital costs of this project and the Hospital has additional line of credits available to fund any shortfalls. See note 14.

The Hospital along with the four Hospitals within the 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.

11. Commitments and contingencies (continued):

The five member hospitals of TransForm have also provided a guarantee with respect to equipment that has been leased for TransForm's regional data centre. This guarantee from the respective hospitals limits the amount not to exceed the outstanding lease payments and is capped at the amount outstanding at the time of default. The guarantee limit is pro-rationally dispersed amongst the TransForm member hospitals based upon the funding formula outlined in their Regular Member Service Agreement. For the Hospital, this represents $6,426 or 10.045% of the lease obligation outstanding as at March 31, 2021.

12. Net assets invested in capital assets:

Net assets invested in capital assets is calculated as follows:

	2021	2020
Capital assets – net	$ 21,316,320	$ 19,117,911
Less: amounts funded by:		
Deferred capital contributions	(20,760,656)	(18,039,096)
	$ 555,664	$ 1,078,815

The net change in net assets invested in capital assets is calculated as follows:

	2021	2020
Purchase of capital assets	$ 5,216,179	$ 6,619,976
Amounts funded by deferred capital contributions	(5,274,864)	(7,039,188)
Amortization of capital assets	(3,017,770)	(2,922,047)
Amortization of deferred capital contributions	2,553,304	2,534,027
	$ (523,151)	$ (807,232)

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 March 2020.

As at March 31, 2021, the Hospital's post-employment benefits and related expenses are as follows:

	2021	2020
Accrued benefit obligation	$ 1,279,900	$ 1,215,800
Unamortized losses	(111,200)	(132,500)
Accrued liability	$ 1,168,700	$ 1,083,300

	2021	2020
Current year service loss	$ 77,000	$ 85,500
Interest on accrued benefit obligation	41,400	46,200
Amortized actuarial loss	34,400	51,700
	$ (152,800)	$ (183,400)

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:

	2021	2021
Discount rate	3.21%	3.29%
Dental benefits cost escalation	3.8%	3.8%
Medical benefits cost escalation	3.8%	3.8%

14. Lines of credit:

The Hospital has arranged for various credit facilities to assist with 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 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. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities, are government remittances payable of $64,635 (2020 - $60,198) which includes any amounts payable for HST and premiums for workers' safety insurance board.

16. 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, 2021, 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.

17. Economic dependence:

The Hospital received a significant portion of its total revenue from the Erie St. Clair LHIN and the Ministry.

18. Financial risks:

(a) 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 (2020 - $100,000).

Accounts receivable is primarily due from OHIP, the Ministry, 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. Included in accounts receivable are amounts aged greater 90 days aggregating to $273,148 (2020 - 410,634); these include patient receivables in the amount of $227,826 (2020 - $221,604), the Foundation $38,012 (2020 - $38,339) and others $7,310 (2020 - $150,691). All other accounts receivables are current. An impairment allowance is set up based on the Hospital's historical experience regarding collection.

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.

18. Financial instruments (continued):

(b) 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.

(c) 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 not exposed to significant interest rate risk.

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.

(d) Liquidity 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 always mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash resources. There have been no significant changes to liquidity risk from the previous year.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

As disclosed in note 14, the operating lines of credit remain available to the Hospital.

19. Impact of COVID-19 pandemic:

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.

20. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2021 financial statements. There has been no impact to the Hospital's deficiency of revenue over expense.