

Financial Statements of

**GROVES MEMORIAL
COMMUNITY HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Groves Memorial Community Hospital

Opinion

We have audited the financial statements of Groves Memorial Community Hospital (the Hospital), which comprise:

- the statement of financial position as at March 31, 2020
- 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 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, 2020, 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 responsibilities 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 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.



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Other Matter – Comparative Information

The financial statements for the year ended March 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 28, 2019.

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.

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 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.



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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 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 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 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 23, 2020



Groves Memorial Community Hospital
Statement of Financial Position
 As at March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 1,171,930	\$ 5,735,591
Accounts receivable, net	15,646,096	1,469,576
Due from Ministry of Health and other funding agencies	2,207,734	88,389,365
Due from Foundation (Note 9)	288,910	10,436,048
Inventory	153,088	161,092
Prepaid expenses	535,699	414,950
Total Current Assets	20,003,457	106,606,622
Capital assets (Note 3)	9,713,783	10,579,000
Capital redevelopment (Note 3)	151,286,299	113,145,272
Total Long-Term Assets	161,000,082	123,724,272
Total Assets	\$ 181,003,539	\$ 230,330,894
Liabilities		
Current		
Demand loan (Note 2)	\$ 6,500,000	\$ -
Accounts payable and accrued liabilities	6,288,680	4,270,555
Construction in progress payable	-	98,458,774
Due to Ministry of Health and other funding agencies	198,625	148,433
Deferred revenue	60,277	371,934
Total Current Liabilities	13,047,582	103,249,696
Deferred capital contributions (Note 4)	162,616,267	121,623,303
Post-employment benefits (Note 5)	1,175,766	1,182,200
Total Liabilities	176,839,615	226,055,199
Net Assets		
Investment in capital assets (Note 7)	5,350,379	3,949,982
Internally restricted for capital asset replacement (Note 6)	450,981	450,981
Unrestricted	(1,637,436)	(125,268)
Total Net Assets	4,163,924	4,275,695
Contingent liabilities (Note 10)		
Commitments (Note 11)		
Subsequent event (Note 14)		
Total Liabilities and Net Assets	\$ 181,003,539	\$ 230,330,894

On behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of these financial statements.



Groves Memorial Community Hospital
Statement of Changes in Net Assets
 Year ended March 31, 2020, with comparative information for 2019

	Internally Restricted for Capital Asset Replacement	Invested in Capital Assets	Unrestricted	2020 Total	2019 Total
Balance, Beginning of Year	\$ 450,981	\$ 3,949,982	\$ (125,268)	\$ 4,275,695	\$ 4,461,784
Excess (deficiency) of revenue over expenses	-	(310,598)	198,827	(111,771)	(186,089)
Interfund transfers	-	(2,398,420)	2,398,420	-	-
Investment in capital assets	-	4,109,415	(4,109,415)	-	-
Balance, End of Year	\$ 450,981	\$ 5,350,379	\$ (1,637,436)	\$ 4,163,924	\$ 4,275,695

The accompanying notes are an integral part of these financial statements.



Groves Memorial Community Hospital
Statement of Operations
 Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue		
Ministry of Health:		
Global funding	\$ 18,100,800	\$ 17,903,810
One-time and program funding	3,306,148	1,043,432
Physician emergency & on-call	2,449,433	2,391,898
Ontario Health Insurance Plan fees	2,150,293	1,902,513
Municipal tax funding	6,000	6,807
Ministry of Children, Community and Social Services funding	213,170	217,165
Patient revenue from other sources	608,566	667,023
Other sundry recoveries	2,294,519	2,251,883
Amortization of deferred capital contributions - equipment	720,693	599,088
	29,849,622	26,983,619
Expenses		
Salaries & benefits	18,301,289	16,623,433
Physician emergency & on-call	2,521,582	2,391,898
Medical staff fees & remuneration	1,284,505	1,132,568
Medical & surgical supplies	794,645	740,042
Drugs & medical gases	643,630	516,763
Operating supplies & expenses	5,171,281	4,564,105
Ministry of Children, Community and Social Services expense	213,170	217,165
Amortization - equipment	884,715	754,593
	29,814,817	26,940,567
Excess of Revenue Over Expenses Before Building Amortization		
	34,805	43,052
Building Amortization		
Amortization of deferred capital contributions - building	349,133	276,434
Amortization of building	(495,709)	(505,575)
	(146,576)	(229,141)
Deficiency of Revenue over Expenses		
	\$ (111,771)	\$ (186,089)

The accompanying notes are an integral part of these financial statements.



Groves Memorial Community Hospital Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash Provided by (used in)		
Operating Activities		
Excess (deficiency) of revenue over expenses	\$ (111,771)	\$ (186,089)
Items not involving cash		
Amortization of capital assets	1,380,424	1,260,168
Amortization of deferred capital contributions	(1,069,826)	(875,522)
Post-employment benefits	(6,434)	(8,912)
	192,393	189,645
Changes in non-cash working capital balances		
Accounts receivable - Operating	(2,488,238)	(64,485,515)
Inventory	8,004	5,347
Prepaid expenses	(120,749)	(98,506)
Accounts payable and accrued liabilities - operati	2,265,999	64,472,993
Deferred revenue	(311,657)	26,426
	(454,248)	110,390
Financing Activities		
Advance of demand loan	6,500,000	-
Capital Activities		
Additions to capital assets	(38,656,234)	(4,118,369)
Additions to deferred donations and grants	42,062,790	5,612,140
Change in accounts receivable - capital	84,640,487	(64,555,068)
Change in accounts payable and accrued liabilities - capital	(98,656,456)	65,046,770
	(10,609,413)	1,985,473
Increase/(decrease) in cash during the year	(4,563,661)	1,604,161
Cash, beginning of year	5,735,591	4,131,430
Cash, end of year	\$ 1,171,930	\$ 5,735,591

The accompanying notes are an integral part of these financial statements.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

The Groves Memorial Community Hospital (the "Hospital") was incorporated on June 27, 2002 as a corporation without share capital under the *Groves Memorial Community Hospital Act*, 2002. The Hospital is principally involved in providing health services to Centre Wellington and surrounding area. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2020 and 2019. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

a) Basis of presentation:

These financial statements do not include the activities of the following non-controlled affiliated entities:

(i) Groves Memorial Community Hospital Foundation (Foundation):

The Foundation raises funds to support capital projects and equipment needs of the Hospital.

(ii) Groves Memorial Community Hospital Volunteer Association (Association):

The Association supports the volunteer programs directed by the Association of the Hospital and raises funds for the support of the Hospital.

The financial information of these entities is reported separately from the Hospital.

b) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH" or the "Ministry") and the Waterloo-Wellington Local Health Integration Network ("LHIN"). The Hospital has entered into a Hospital Service Accountability Agreement ("H-SAA").



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

1. Significant accounting policies (continued):

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2020 with the Ministry and the LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital 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, it is required to follow a remediation process negotiated with the MOH/LHIN. Should the Hospital fail to honour the terms of the remediation process the MOH/LIN has the right to adjust funding received by the Hospital.

The MOH/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 MOH/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year-end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

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

Ancillary revenue is recognized when the goods are sold and services provided.

c) Inventories:

Inventories are valued at the lower of average cost and replacement value. Provisions are made for any obsolete or unusable inventory on hand.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

1. Significant accounting policies (continued):

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 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. Capital assets are capitalized on acquisition and amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	5 to 25 years
Buildings and service equipment	10 to 40 years
Equipment	3 to 15 years
Software	3 to 10 years

e) Employee future benefits:

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

(i) Defined benefit plan:

The costs of post-employment benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustment 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. The average remaining service period of the active employees covered by the plan is 14 years (2019 - 14 years). Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

1. Significant accounting policies (continued):

e) Employee future benefits (continued):

(ii) Multi-employer plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan (“HOOPP”) for which the Hospital does not have the necessary information to apply defined benefit plan accounting. The costs of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term payables are recorded at cost.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

1. Significant accounting policies (continued):

f) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As at March 31, 2020, all financial assets of the Hospital are held as cash and, as a result, are categorized as level 1.

g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accrued benefit liability, capital assets and accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

The amount of revenue recognized from the MOH and the LHIN requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by the Waterloo Wellington LHIN for the year ended March 31, 2020. The accountability agreements set 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 MOH and the LHIN have the right to adjust funding received. Neither the Ministry nor the LHIN are required to communicate certain funding adjustments until after submission of year end data.



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2020

1. Significant accounting policies (continued):

g) Measurement uncertainty (continued):

Since this data is not submitted until after the completion of the financial statements, the amount of the MOH/LHIN funding received during a 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.

2. Cash and demand loan:

The Hospital has access to an unsecured operating line of \$3,000,000, with interest at prime minus 0.50% per annum. At March 31, 2020, \$3,000,000 is available under this facility. In September 2019, the Hospital secured a demand loan to temporarily finance the construction of the New Hospital for up to \$15,000,000. At year end, \$6,500,000 was advanced, with interest at prime minus 0.75% per annum.

3. Capital assets:

	2020		2019	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,867,556	\$ -	\$ 1,867,556	\$ -
Land improvements	317,956	175,029	317,956	150,484
Buildings - Hospital	9,652,031	7,134,554	9,652,031	6,832,380
- Ancillary	67,564	67,564	67,564	67,564
Equipment	17,637,264	13,027,401	17,454,777	11,973,696
	29,542,371	20,404,548	29,359,884	19,024,124
Construction in progress	151,862,259	-	113,388,512	-
	\$ 181,404,630	\$ 20,404,548	\$ 142,748,396	\$ 19,024,124
Net book value		<u>\$ 161,000,082</u>		<u>\$ 123,724,272</u>



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2020

3. Capital assets (continued):

Included in the Construction in Progress is \$151,286,299 (2019 - \$113,145,272) for capital redevelopment costs (land, construction in progress, equipment, planning and design) related to the New Hospital. As of February 26, 2020 construction in progress of the New Groves Hospital reached substantial completion, with minor deficiencies still to be completed by the contractor. Included in equipment is \$152,541 (2019 - \$273,060) of assets not in use and therefore amortization has not commenced.

4. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and the unspent amount of externally restricted donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2020		2019
Balance, beginning of year	\$ 121,623,303	\$	52,173,050
Capital contributions for the year	42,062,790		70,325,775
Amortization	(1,069,826)		(875,522)
Balance, end of year	\$ 162,616,267	\$	121,623,303

As at March 31, 2020, the deferred capital contributions recognized based on the construction in progress for the New Groves Hospital is \$137,501,474 (2019 - \$88,193,740) which is the Ministry's portion of the New Groves Hospital construction costs and \$14,046,602 (2019 - \$10,265,034) which is the portion funded by the Groves Memorial Community Hospital Foundation.

As at March 31, 2020, there was \$1,616,185 (2019 - \$1,849,013) of deferred capital contributions received which was not spent.



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2020

5. Post-employment benefits:

i) Pension plan:

Substantially, all of the full-time employees and a portion of the part-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Contributions to the plan by the Hospital during the year amounted to \$1,152,437 (2019 - \$1,081,828) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2019, the pension plan reported a surplus of \$20.555 billion (2018 - \$13.891 billion).

ii) Retirement benefits:

The Hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefits liability was determined by an actuarial valuation study. An actuarial valuation of these benefits is completed on a triennial basis. The latest actuarial valuation was completed for March 31, 2018, extrapolated to March 31, 2020.

The Hospital's liability at March 31st for this plan is as follows:

	2020	2019
Accrued benefit obligation	\$ 1,036,200	\$ 1,044,800
Unamortized net actuarial gains	139,566	137,400
Post-employment benefits liability	\$ 1,175,766	\$ 1,182,200

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

	2020	2019
Accrued benefit obligation (at end of year):		
Discount rate	3.10%	2.90%
Dental cost increases	2.75%	2.75%
Medical cost increases, and decrease proportionately thereafter to an ultimate rate of 4.50%	6.00%	6.00%
Benefit costs (for fiscal year):		
Discount rate	2.90%	3.20%



Groves Memorial Community Hospital
Notes to Financial Statements
 For the year ended March 31, 2020

5. Post-employment benefits (continued):

Other information about the Hospital's plan is as follows:

	2020	2019
Current year benefit cost	\$ 56,700	\$ 52,700
Interest on accrued benefit obligation	30,900	32,400
Amortized actuarial gains	(20,700)	(23,100)
Expense for the year	\$ 66,900	\$ 62,000
Benefits paid during the year	\$ 47,300	\$ 30,911

6. Internally restricted net assets:

Internally restricted net assets represent amounts set aside for future capital and other special projects.

As of March 31, 2020, the Hospital's Board of Directors (Board) has internally restricted \$450,981 (2019 - \$450,981) of unrestricted net assets to be used for future capital and other special projects. The Board has also internally restricted net assets invested in capital assets of \$5,350,379 (2019 - \$3,949,982). These internally restricted amounts are not available for other purposes without approval of the Board.

7. Investments in capital assets:

Investment in capital assets is calculated as follows:

	2020	2019
Capital assets (Note 3)	\$ 161,000,082	\$ 123,724,272
Deferred capital contributions (Note 4)	(162,616,267)	(119,774,290)
Accounts receivable - capital	13,944,000	-
Demand loan	(6,500,000)	-
Accounts payable and accrued liabilities - capital	(477,436)	-
	\$ 5,350,379	\$ 3,949,982



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2020

7. Investments in capital assets (continued):

Changes in net assets invested in capital assets is calculated as follows:

	2020	2019
Excess (deficiency) or revenue over expenses:		
Amortization of deferred capital contributions	\$ 1,069,826	\$ 875,522
Amortization of capital assets	(1,380,424)	(1,260,168)
	\$ (310,598)	\$ (384,646)
Net change in investment in capital assets:		
Purchases of capital assets	38,656,233	102,735,992
Amounts funded by deferred capital contributions	(42,062,790)	(102,753,812)
Change in accounts payable and accrued liabilities - capital	98,656,456	-
Change in accounts receivable - capital	(84,640,484)	-
Advance of demand loan	(6,500,000)	-
	4,109,415	(17,820)
	\$ 3,798,817	\$ (402,466)

8. Related party transactions and economic interest:

The Hospital receives support from the Foundation and the Association operating within the communities serviced by the Hospital. These Organizations operate independently of the Hospital, as such the relationship is not considered as a related party.

a) Groves Memorial Community Hospital Foundation (“Foundation”):

The Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, and equipment purchases of the Hospital. During the year, the Hospital received funds totaling \$17,972,841 (2019 - \$2,155,375) from the Foundation. At March 31, 2020, the Hospital has a receivable from the Foundation of \$288,910 (2019 - \$10,436,048) for capital and minor equipment purchases.

The accounts of the Foundation are not included in these financial statements.

b) Groves Memorial Community Hospital Volunteer Association (“Association”):

The Association is a volunteer organization affiliated with Groves Memorial Community Hospital and is engaged in a wide range of services for the betterment of the Hospital. The Association periodically transfers funds to the Foundation.

The accounts of the Association are not included in these financial statements.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

8. Related party transactions and economic interest (continued):

c) Wellington Health Care Alliance:

Groves Memorial Community Hospital and North Wellington Health Care Corporation have entered into an alliance agreement (Wellington Health Care Alliance) to enable the parties to provide mutual support and cooperation in the delivery of Hospital services to the patients in their respective catchment areas. The agreement has resulted in a shared senior management team and other resources. The Hospital's share of alliance revenues, expenses, assets and liabilities have been recorded in the accounts of the Hospital. Included in accounts receivable is \$973,548 due from North Wellington Health Care Corporation, and included in accounts payable is \$169,713 owing to North Wellington Health Care Corporation.

9. Contract with Ministry of Children, Community and Social Services:

During the year, the Hospital received \$268,802 (2019 - \$268,802) from the Ministry of Children, Community and Social Services for a Speech and Language Program. The surplus (deficit) for this program at March 31, 2020 is \$nil (2019 – \$nil).

10. Contingent liabilities:

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 valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital has entered into an agreement with Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario). HIROC provides insurance coverage on a pooling basis to its subscribers. The Hospital is liable for its proportionate share of any assessment for losses experienced by the pool during each policy year that it is a subscriber. No assessments have been made up to March 31, 2020.

The term of this agreement requires two years notice before withdrawing from the agreement.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

11. Commitments:

a) Service agreements:

During the year, the Hospital has committed to capital purchases, service and rental agreements. Contractual agreements are signed commitments, and are based on the understanding the agreements will continue into the new Hospital.

The payments that are required under the terms of these agreements as follows:

2021	\$	5,935,445
2022		160,176
2023		89,079
2024		72,796
<hr/>		
Total	\$	6,257,496

The Hospital signed an agreement with Mohawk Shared Services Inc. for procurement and logistics services relating to the purchase and delivery of medical and other supplies. The term of the agreement is three years renewing automatically every three years unless two years prior notice is given not to renew at the end of the current term.

b) Capital redevelopment:

The New Groves Hospital substantial completion was originally planned for November 2019, and as such funding was received from the Ministry of Health and the GMCH Foundation. However, EllisDon was not able to meet the requirements for substantial completion to be achieved.

Substantial completion of the project was achieved on February 26, 2020. This triggered a payment to be made to EllisDon totaling \$125,601,337 (inclusive of HST and completion holdback). This payment was made in accordance with the terms of the agreement on February 28, 2020.

The Independent Certifier has deducted a completion holdback of \$1,428,151 marked up 200% to \$2,856,302 in order to resolve the outstanding deficiencies (within 60 days). HST will be applicable to this amount as it is released.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

11. Commitments (continued):

(b) Capital redevelopment (continued):

In addition, the Independent Certifier also released the Legislative Holdback on February 28, 2020. This triggered a payment to be made to EllisDon totaling \$14,135,016. This payment was made in accordance with the terms of the agreement on March 3, 2020.

As responsibility and risk has been transferred, an insurance policy on the building and contents was secured.

The Hospital has submitted a proposal to repurpose the current building. As of yet, the Hospital has not received MOH direction. Subject to this proposal, the remaining net book value of the capital asset, net of deferred capital contributions for the current hospital of \$517,508 may require an impairment review as it will no longer provide economic benefit to the Hospital.

The total expected capital cost for the New Hospital is \$160,913,306. A total of \$18,827,591 (2019 - \$14,677,597) of the ancillary costs have been spent as at March 31, 2020.

12. Financial risks:

a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Hospital's surplus 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.

b) 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 the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through to its interest-bearing operating line and demand loan.

The Hospital has financing available in the form of an operating line which is drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.50% and is payable monthly.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2020

12. Financial risks (continued):

c) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Hospital is exposed to credit risk with respect to its accounts receivable and cash.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is \$26,580 (2019 - \$20,345).

As at March 31, 2020, \$53,248 (2019 - \$40,613) of third-party accounts receivable were past due, but not impaired.

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 mitigates this risk by monitoring cash activities and expected outflows.

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

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

13. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year deficiency of revenue over expenses.

14. Subsequent event:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain Hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and increases in operating costs.

a) Current year transactions:

For the year ended March 31, 2020, the Ministry of Health has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred recoverable COVID-related expenses of \$128,780 and has recognized \$128,780 of revenue. These amounts have been recorded in one-time and program funding, salaries and benefits and operating supplies and expenses in the statement of operations.

b) Subsequent events related to COVID-19:

As a result of these measures, the Hospital continues to experience decreases in operating revenues and increases in operating costs in the subsequent period. The Ministry has allowed the Hospital to redirect revenue from certain funded programs towards COVID-related costs incurred during the year ended March 31, 2020, and has also committed to providing additional funding for COVID-related operating and capital costs in the subsequent period.

14. Subsequent event (continued):

b) Subsequent events related to COVID-19 (continued):

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known at this time. At this time these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have an impact on future operations. An estimate of the financial effect is not practicable at this time.

c) Impact of COVID-19 on financial risks:

The COVID-19 pandemic has impacted the financial risks of the Hospital as follows:

i) Credit risk:

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable from non-Canadian government entities, including individuals, businesses and foreign entities because of the economic slowdown and changes in operations caused by COVID-19. The Hospital is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties. The Hospital has updated its allowance for doubtful accounts to include considerations related to COVID-19.

ii) Liquidity risk:

The ability of the Hospital to meet their cash flow requirements in the short term has been impacted by several factors including delays in cash collections on receivables, and the loss of revenue associated with elective surgeries, and other forms of patient revenue. The Hospital is continuously monitoring their cash flow in order to maintain its liquidity moving forward.