



FINANCIAL STATEMENTS

MARCH 31, 2020

Our Vision: Outstanding Care - No Exceptions!

Our Mission: Deliver an outstanding patient care experience driven by a passionate commitment to excellence.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Windsor Regional Hospital

Opinion

We have audited the financial statements of Windsor Regional Hospital (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of revenue and expense for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of accumulated remeasurement losses 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, 2020, and its results of operations 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.



Responsibility of Management and Those Charged with Governance for the 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.

- 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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 4, 2020

WINDSOR REGIONAL HOSPITAL

STATEMENT OF FINANCIAL POSITION

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

	2020 \$ (000)	2019 \$ (000)
ASSETS		
Current assets:		
Accounts receivable, net (Note 2)	20,796	26,836
Inventories	5,139	3,876
Prepaid and deferred charges	5,259	3,447
Due from related parties (Note 15)	2,116	2,337
	<u>33,310</u>	<u>36,496</u>
Investments held for capital purposes (Note 3)	6,044	5,565
Capital assets: (Note 4)		
Cost	436,639	399,827
Less: Accumulated amortization	240,188	226,242
	<u>196,451</u>	<u>173,585</u>
Total assets	<u>235,805</u>	<u>215,646</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Bank indebtedness (Note 5)	11,623	29,457
Bank indebtedness H.I.S project financing (Note 5)	19,100	3,294
Accounts payable and accrued liabilities (Note 6)	82,950	70,101
Current portion of accrued benefit liabilities (Note 7)	1,134	1,049
Current portion of capital lease (Note 8)	742	-
Current portion of loans payable (Note 9)	3,569	2,418
	<u>119,118</u>	<u>106,319</u>
Long-Term liabilities:		
Loans payable (Note 9)	37,118	36,005
Accrued sick leave entitlements	6,934	7,348
Capital lease (Note 8)	1,340	-
Accrued benefit liabilities (Note 7)	22,624	21,433
Deferred capital grants net of amortization (Note 10)	121,663	120,372
Interest rate swaps	1,795	1,501
	<u>191,474</u>	<u>186,659</u>
Net assets - unrestricted	(72,992)	(75,831)
Accumulated remeasurement losses	(1,795)	(1,501)
Commitments and contingencies (Notes 13 and 14)	-	-
Subsequent events (Notes 5 and 21)	-	-
Total liabilities, deferred contributions and net assets	<u>235,805</u>	<u>215,646</u>

See accompanying notes to financial statements

On behalf of the Board:


Dan Wilson
Chairperson

Michael Lavoie
Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

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

	2020 \$ (000)	2019 \$ (000)
Balance, beginning of year	(75,831)	(64,439)
Excess (Deficiency) of revenue over expense	2,839	(11,392)
Balance, end of year	(72,992)	(75,831)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

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

	2020 \$ (000)	2019 \$ (000)
Balance, beginning of year	(1,501)	(1,435)
Unrealized loss attributable to interest rate swap	(294)	(66)
Balance, end of year	(1,795)	(1,501)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

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

	2020 \$ (000)	2019 \$ (000)
Revenue:		
Provincial programs	450,928	432,536
Patient services	36,261	34,880
Other fees and revenue	49,782	48,029
	536,971	515,445
Expense:		
Salaries and wages	242,858	244,625
Employee benefits	61,424	60,537
Employee future benefits (Note 7)	2,325	2,598
Medical staff remuneration	54,183	52,680
Medical and surgical supplies	35,882	35,701
Drugs and medicines	60,153	52,477
Other supplies and expense	61,257	61,059
Equipment rental	2,675	2,165
Amortization of capital assets	13,947	13,690
	534,704	525,532
Surplus/(Deficiency) of revenue over expense before other income (expense) items	2,267	(10,087)
Other income (expense) items (Note 19)	572	(1,305)
Surplus/(Deficiency) of revenue over expense for the year	2,839	(11,392)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

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

	2020 \$ (000)	2019 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Surplus/(Deficiency) of revenue over expense for the year	2,839	(11,392)
Add items not involving cash:		
Amortization of capital assets (Note 4)	13,946	13,690
Deferred grant amortization (Note 10)	(6,551)	(6,663)
	10,234	(4,365)
Cash flows used in changes in operating balances (Note 11)	14,493	(584)
Cash flows from (used) in operating activities	24,727	(4,949)
CASH FLOWS USED IN CAPITAL ACTIVITIES:		
Additions to capital assets	(36,812)	(11,399)
Capital grants and donations received (Note 10)	7,842	2,707
Cash flow used in capital activities	(28,970)	(8,692)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Investments held for capital purposes (Note 3)	(479)	(558)
Cash flow used in investing activities	(479)	(558)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Accounts receivable, capital (Note 2)	(299)	5,437
Bank indebtedness	(2,028)	12,085
Capital lease (Note 8)	2,082	-
Loans payable	2,264	(2,355)
Accounts payable, capital (Note 6)	2,703	(968)
Cash flows from financing activities	4,722	14,199
NET CHANGE IN CASH FOR THE YEAR	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	-	-

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

1. Nature of business and significant accounting policies:

Windsor Regional Hospital (the "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 follows Canadian Public Sector Accounting Standards and Section 4200 standards for government not-for-profit organizations.

A summary of the significant policies arising from these standards is presented below.

a) Operation of the Hospital:

The financial statements include all the operations of Windsor Regional Hospital including the Windsor Regional Cancer Centre. The Hospital operates under various regulations of the Ministry of Health and other regulatory bodies. The Windsor Regional Cancer Centre operates and is funded under the guidelines of Cancer Care Ontario.

Operating grants are received from the above Ministries and the Erie St. Clair Local Health Integration Network. In addition, revenue is generated from the provision of various patient services and treatments, as well as from ancillary and investment activities.

b) Revenue recognition:

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of the accounting period, are accrued. Where a portion of the grant relates to a future period, it is deferred and recognized in that subsequent period.

Capital grants received for the purpose of funding acquisitions of depreciable assets are deferred and amortized to income on a straight-line basis over the estimated useful service life of the related asset using the Hospital's amortization rates. Grants received for the purpose of funding land acquisition costs are recorded in equity and not deferred and amortized.

c) Inventories:

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

1. Nature of business and significant accounting policies: (Cont'd)

d) Capital assets:

Capital assets are recorded at acquisition cost. The amortization rates are determined through Ministry Guidelines. Amortization is provided on a straight-line basis over the estimated useful life of the asset using rates of 2 percent to 5 percent per annum for buildings, 4 percent to 10 percent per annum for land improvements, 33 percent for computer software and licenses and varying rates from 5 percent to 20 percent per annum for equipment commencing in the month of acquisition. Land acquisition costs are not amortized. No amortization is taken on construction in progress assets until they are placed in use.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Long-lived assets, including land and buildings subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

e) Employee future benefits:

The Hospital accrues its obligation of future benefits as the employees render the services necessary to earn these benefits. The actuarial determination of accrued benefit obligations for future benefits uses the projected benefit method prorated on service and incorporates management's best estimate of termination rates, retirement age and expected inflation rate with respect to employee benefit costs. Actuarial gains (losses) related to the Post employment Plan are amortized over the average remaining service lifetime of the active employees. Any actuarial gains (losses) in the Employees on Long-Term Disability Plan are recognized as income (expense) immediately. The average remaining service period of the active employees is 14.52 years (14.5 years in previous valuation – 2019).

Plan amendments are immediately recognized in the year of the effective change. Under PSAB, if there exists an actuarial gain at the time of introduction of a plan amendment that results in a past service loss, the gain is to be offset against the past service loss before any recognition of the amendment takes place. Similar requirements apply if the amendment decreases liabilities and an actuarial loss exists under the plan at the time of the amendment. Curtailment gains or losses are immediately recognized as either a reduction or an increase to employee future benefits expense.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

1. Nature of business and significant accounting policies: (Cont'd)

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments are reported at fair value. For all other financial instruments, the Hospital has elected to record all investments at their fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Statement of Accumulated Remeasurement Losses until they are realized, when they are transferred to the Statement of Revenue and Expense.

Transaction costs (if any) 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 (if any) incurred on acquisition and financing costs (if any), which are amortized using a 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 Revenue and Expense and any unrealized gain or loss is adjusted through the Statement of Accumulated Remeasurement Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Accumulated Remeasurement Losses are reversed and recognized in the Statement of Revenue and Expense.

Long-Term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

The Standards require the Hospital 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 active markets or market data for substantially the full term of the assets or liabilities; and
- 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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

1. Nature of business and significant accounting policies: (Cont'd)

g) Vacation pay and sick leave:

The Hospital accrues vacation pay and sick leave entitlements for amounts vested and owing to its employees at the year end. Non-vested sick leave benefits available to its employees under Long-Term disability plans are recorded when paid.

h) Contributed services:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

i) Use of estimates:

The preparation of the financial statements, in conformity with Canadian Public Sector Accounting Standards 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the carrying value of capital assets and related deferred capital grants, the estimated impact of unsettled labour contracts, pay equity agreements and certain accrued liabilities, as well as accrued benefit liabilities.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

2. Accounts receivable:

Accounts receivable consist of:

	2020 \$ (000)	2019 \$ (000)
Ministry of Health – operating	1,571	9,983
Ministry of Health – capital	2,325	2,026
Insurers and patients	8,796	7,488
Sales tax recoveries	1,956	2,404
Cancer Care Ontario – drug funding	3,300	2,094
Other	4,260	3,816
	22,208	27,811
Allowance for doubtful accounts	(1,412)	(975)
	20,796	26,836

3. Investments held for capital purposes:

The Hospital is holding funds for capital purposes. These funds have a carrying value that approximates market value.

The changes in the investments are summarized below:

	2020 \$ (000)	2019 \$ (000)
Balance, beginning of year	5,565	5,007
Interest earned in the year	37	31
Preferred accommodation, capital charge	442	527
	6,044	5,565

These investments are classified as Level 1.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

4. Capital assets:

Capital assets consist of:

March 31, 2020

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,183	-
Buildings	218,864	98,293	120,571
Equipment	156,767	126,022	30,745
Computer software and licenses	13,786	12,690	1,096
Construction in progress	37,807	-	37,807
	436,639	240,188	196,451

March 31, 2019

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,183	-
Buildings	216,938	92,766	124,172
Equipment	141,595	117,968	23,627
Computer software and licenses	13,641	12,325	1,316
Construction in progress	18,238	-	18,238
	399,827	226,242	173,585

The amount of amortization included in the statement of revenue and expense is \$13,946,000 (\$13,690,000 in 2019).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

5. Bank indebtedness:

The Hospital has available for its use a demand operating credit facility in the amount of \$45 million until April 30, 2020 at which time it reverts to \$15 million. As at March 31, 2020, the Hospital utilized \$12,963,000 (\$29,457,000 – March 31, 2019) of this facility.

On April 20th, 2020 the Hospital received a \$35 million cash advance from the Ministry of Health and the ESC LHIN (April 16, 2019, \$40 million was advanced). This cash is to be used as operational funding being applied against bank indebtedness. The cash advance will be recovered in full through repayments to the Ministry of Health and the ESC LHIN by March 31, 2021.

The Hospital has also established a \$19.1 million credit facility for the financing of the first phase of the Hospital Information System project (see Note 14d). As of March 31, 2020, this credit facility is in use in the amount of \$19,100,000 (\$3,294,000 in – March 31, 2019). This credit facility has an interest rate of prime rate less 40 bps per annum, interest only payments for two years and the lender's right to require immediate payment of the balance. Effective April 1, 2020 this credit facility was increased to \$48,162,000.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2020 \$ (000)	2019 \$ (000)
Accounts payable - trade	24,018	15,133
Accounts payable - capital	3,393	690
Vacation pay entitlement	23,263	22,953
Accrued salaries and benefits	17,482	15,219
Payroll withholdings	8,521	7,593
Ministry of Health/LHIN	4,235	6,536
Deferred revenue – Cancer Care Ontario	265	503
Deferred revenue – Other	847	794
Other	926	680
	82,950	70,101

Included in accounts payable and accrued liabilities are government remittances payable of \$4,751,000 (\$4,029,000 - March 31, 2019), which include amounts for HST and payroll related matters.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

7. Accrued benefit liabilities/obligations:

The Hospital provides certain post employment benefits to qualifying employees. The Hospital's obligation is currently unfunded and requires contributions from both the Hospital and its former employees depending on the nature of the benefits. The Hospital has two types of obligations as follows:

- ◆ Unfunded benefit program relating to employees receiving certain benefits from the long-term disability benefit program sponsored by the Hospital.
- ◆ Unfunded post employment life, health and dental benefits offered to qualifying active employees and retirees.

For post employment benefits, the most recent actuarial valuation is as of March 31, 2019. The next required valuation will be as of March 31, 2022. The year end disclosure of the benefits related to Long-Term disability is based on the March 31, 2020 valuation.

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

		Employees on Long-Term Disability	Post Employment
◆ Medical trend rate	- Initial	5.90%	5.48%
	- Ultimate	4.00%	3.83%
	- Year of Ultimate level	2039	2039
◆ Dental care cost trend rate – first 10 years		4.00%	4.00%
◆ Dental care cost trend rate – next 10 years		4.00%	4.00%
◆ Discount rate – beginning of year		3.18%	3.18%
◆ Discount rate – end of year		3.29%	3.29%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

7. Accrued benefit liabilities/obligations: (Cont'd)

Sensitivity Analysis - Assumed healthcare cost trend rates and discount rates have a significant effect on amounts reported for healthcare plans. A one percentage point change in assumed healthcare cost trend rates and a half of one percent change in the discount rate would have the following effect for 2019-2020:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
Health Care Trend Rate (+/- 1.0%):		
Total service and interest costs	217	(181)
Benefit obligation at March 31, 2020	1,875	(1,598)
Discount Rate (+/- 0.5%):		
Total service and interest costs	(30)	32
Benefit obligation at March 31, 2020	(1,384)	1,556

Information about the Hospital's obligations and plan assets is as follows:

	<u>2020</u> \$ (000)			<u>2019</u> \$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
Accrued benefit obligations:						
Balance at beginning of year	2,191	20,521	22,712	1,619	20,646	22,265
Current service cost	-	1,017	1,017	-	1,020	1,020
Interest costs	67	671	738	53	714	767
Expected termination from						
Long-Term disability payments	(365)	-	(365)	(162)	-	(162)
Actuarial (gain) loss	550	(327)	223	442	(866)	(424)
Benefits paid	(186)	(863)	(1,049)	(124)	(993)	(1,117)
Plan amendments	-	-	-	-	-	-
Expected reserve for new claims	275	-	275	363	-	363
Balance at end of year	2,532	21,019	23,551	2,191	20,521	22,712
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	186	863	1,049	124	993	1,117
Benefits paid	(186)	(863)	(1,049)	(124)	(993)	(1,117)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(2,532)	(21,019)	(23,551)	(2,191)	(20,521)	(22,712)
Unamortized net actuarial losses	-	(207)	(207)	-	230	230
	(2,532)	(21,226)	(23,758)	(2,191)	(20,291)	(22,482)
Current portion	225	909	1,134	186	863	1,049
Long-Term portion	2,307	20,317	22,624	2,005	19,428	21,433

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

7. Accrued benefit liabilities/obligations: (Cont'd)

The Hospital's net employee future benefit expense is as follows:

	2020			2019		
	\$ (000)			\$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
Current service cost	-	1,017	1,017	-	1,020	1,020
Interest cost	67	671	738	53	714	767
Expected terminations from						
Long-Term disability benefits	(365)	-	(365)	(162)	-	(162)
Amortization of prior service costs	-	-	-	-	-	-
Amortization of actuarial loss	550	110	660	442	168	610
Expected reserve for new claims	275	-	275	363	-	363
Total expense	527	1,798	2,325	696	1,902	2,598

8. Capital Lease:

The Company has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	<u>(000's)</u>
2021	\$ 742
2022	495
End of Term – early buy-out option month 30	<u>973</u>
Total minimum lease payments	2,210
Less: amount representing interest at 4.92%	<u>(128)</u>
Present value of net minimum capital lease payments	2,082
Less: current portion of obligations under capital lease	<u>(742)</u>
	\$ <u>1,340</u>

Interest of \$87,000 relating to capital lease obligations has been included in interest expense on the statement of revenue and expense.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

9. Loans payable:

The Hospital has the following loans payable as at March 31:

	2020 \$ (000's)	2019 \$ (000's)
Committed non-revolving instalment loan funded through unsecured banker's acceptances with a minimum stamping fee of .35% per annum, and subject to an interest rate-swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 5.035% until November 30, 2030. The principal and interest payments are made each month.	8,609	9,208
The Hospital has a \$6.8 million equipment facility with \$5.35 million utilized as at March 31, 2020 (\$1.23 million as at March 31, 2019) at the following interest rates and repayment terms:		
3.26% interest rate renewable on April 9, 2024 with blended monthly payments of principal and interest of \$29,261	1,341	-
2.46% interest rate renewable on March 18, 2025 with blended monthly payments of principal and interest of \$32,154	1,813	-
2.46% interest rate renewable on March 18, 2025 with blended monthly payments of principal and interest of \$27,748	1,565	-
2.44% interest rate maturing on March 28, 2021 with blended monthly payments of principal and interest of \$52,613	623	1,231
Bank loan due February 2030, comprised of four tranches with each tranche bearing its own interest rate. The loan is unsecured and is being amortized over a 25 year period. The terms are as follows:		
2.86% interest rate renewable on February 12, 2024 with blended monthly payments of principal and interest of \$23,241	3,384	3,563
2.69% interest rate renewable on February 12, 2022 with blended monthly payments of principal and interest of \$42,121	6,211	6,544
2.84% interest rate renewable on February 15, 2030 with blended monthly payments of principal and interest of \$50,514	7,364	7,694
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580	9,777	10,183
Total loans payable	40,687	38,423
Less: current portion	3,569	2,418
	37,118	36,005

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

9. Loans payable: (Cont'd)

The annual scheduled principal payments for these loans are as follows:

2021	3,569,000
2022	3,052,000
2023	3,166,000
2024	3,081,000
2025	2,874,000
Thereafter	<u>24,945,000</u>
Total	<u>\$40,687,000</u>

10. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2020

		\$ (000)	
	Grant	Accumulated Amortization	Net
Land improvements	434	434	-
Buildings	158,732	52,256	106,476
Equipment	70,577	59,730	10,847
Construction in progress	4,340	-	4,340
	234,083	112,420	121,663

March 31, 2019

		\$ (000)	
	Grant	Accumulated Amortization	Net
Land improvements	434	434	-
Buildings	150,470	48,359	102,111
Equipment	69,525	57,076	12,449
Construction in progress	5,812	-	5,812
	226,241	105,869	120,372

The amount of amortization included in the statement of revenue and expense is \$6,551,000 (\$6,663,000 in 2019).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

10. Deferred capital grants: (Cont'd)

During the year, capital grants and donations were received from:

	2020 \$ (000)	2019 \$ (000)
Windsor Cancer Centre Foundation	804	288
Windsor Regional Hospital Foundation	962	947
Ministry of Health – HIRF	1,542	1,543
Ministry of Health – Capital Planning Grant	3,600	-
Cancer Care Ontario	533	(180)
Other	401	109
	7,842	2,707

11. Cash flow information:

Cash flows from (used in) changes in the following operating balances are as follows:

	2020 \$ (000)	2019 \$ (000)
Accounts receivable, non-capital	6,339	(5,644)
Inventories	(1,263)	(1)
Prepaid and deferred charges	(1,812)	202
Due from related parties	221	816
Accounts payable and accrued liabilities, non-capital	10,146	2,115
Accrued sick leave entitlements	(414)	447
Accrued benefit liabilities	1,276	1,481
	14,493	(584)

Interest paid during the year amounted to \$1,940,000 (\$1,939,000 in 2019).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

12. Pension expense:

Substantially, all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Hospital amounted to \$20,432,000 (\$20,382,000 in 2019). These amounts are included in employee benefits expense in the statement of revenue and expense. The most recent actuarial valuation of the plan as at December 31, 2019 indicates that the plan is fully funded (2018 – fully funded).

13. Leases:

Under the terms of various non-capital equipment leases expiring through 2025, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2021	\$2,245,000
▪ 2022	\$2,079,000
▪ 2023	\$1,712,000
▪ 2024	\$1,544,000
▪ 2025	\$1,229,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

14. Contingent liabilities:

- a) The Hospital is subject to various lawsuits, disputes, labour grievances and other items for which the Hospital may be liable. In the opinion of management, the ultimate resolution of any current lawsuits, disputes, and/or grievances which are not covered by insurance, would not have a material effect on the financial position or results of operations. Any difference between the provision recorded in the Hospital's accounts, if any, and the actual settlement would be recognized in the financial statements in the year of settlement.

In addition, the Hospital has made provisions for the estimated impact of unsettled labour contracts. Any difference in final settlement from that estimated will be recorded in the period in which the settlement becomes known.

- b) 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 payments 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.
- c) The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hôtel-Dieu Grace Healthcare (HDGH) and Erie Shores Healthcare (ESH) 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 the purchasing and payment responsibilities and Information Technology/Information System services for the five hospitals. TransForm has \$1,300,000 in banking credit facilities of which none were used as at March 31, 2020 (\$ Nil as at March 31, 2019). For every dollar used, the Hospital has provided a guarantee of 28.73% for the amount used.

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 \$140,163 (\$379,000 in 2019) or 46.49% of the lease obligation outstanding as at March 31, 2020.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

14. Contingent liabilities: (Cont'd)

- d) The Hospital along with CKHA, HDGH, and ESH have entered into an agreement with Cerner Corporation to replace each organization's existing Health Information System (HIS). The Hospital's portion of the project, as currently approved by the Hospital's Board of Directors, is \$48.2 million. Upon completion, the estimated ten (10) year cost of operations will be approximately \$5.8 million.

15. Related party transactions:

The Hospital administers the receipt and disbursement of funds on behalf of Windsor Regional Hospital Foundation.

The Hospital relies heavily on the Foundation to raise funds for its benefit. The Foundation is a registered charity and is classified as a public foundation under Section 149.1 (1)(g) of the Income Tax Act (Canada) and as such, is exempt from tax. At March 31, 2020, net resources of the Foundation amounted to \$14,273,000 (\$15,964,000 in 2019) of which \$13,786,000 (\$13,923,000 in 2019) is externally restricted for specific purposes. The balance is available, at the discretion of the Foundation's Board of Directors, to the Hospital for other purposes. For the year ended March 31, 2020, the Foundation had deficiency of revenue over expense of \$1,691,000 (\$1,131,000 excess of revenue over expense in 2019).

The amount owing from the Foundation as at March 31, 2020 is \$2,116,000 (\$2,337,000 as at March 31, 2019). These amounts are settled as mutually agreed upon in the next fiscal year.

16. TransForm:

TransForm provides Information Technology/Information Systems services and purchasing and payment services 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 five participating organizations 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 \$26,149,000 (2019 - \$8,954,000) to TransForm for Information Technology/Information Systems services and for purchasing and payment services. Included in this amount is \$10,140,000 (\$1,555,000 in 2019) related to the HIS project. The balance payable to TransForm at March 31, 2020 is \$2,041,000 (\$136,000 in 2019) and has been included in accounts payable.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

17. Hospital Accountability Agreement – Year End Total Margin:

Under the terms of the annual Hospital Accountability Agreement between the Hospital and the Ministry of Health / Erie St. Clair Health Care Integration Network, the Hospital is expected to achieve a year end total margin that must not be less than \$ Nil. Year end total margin is defined as “The amount by which total revenues exceed total expenses, excluding the impact of facility amortization and interest on long-term liabilities, in a given year”.

Calculation of year end total margin:

	2020 \$ (000)	2019 \$ (000)
Surplus/(Deficiency) of revenue over expense for the year	2,839	(11,392)
Add (deduct): net building amortization	1,633	1,631
interest on long-term liabilities	1,695	1,779
Year end total margin	6,167	(7,982)

The Hospital met this performance indicator in 2020 (2019 – indicator not met).

18. Financial risks:

a) Liquidity risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

b) Interest rate risk

The Hospital is exposed to interest rate risk on its investments and on its bank loan and loans payable. There has been no change to the risk exposures from 2019.

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Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

19. Other income (expense) items:

Other income (expense) items include special charges and provisions not ordinarily associated with ongoing operations of the Hospital. Included in this category are the following items:

	2020 \$ (000)	2019 \$ (000)
Electricity rebate	2,446	-
Professional fees (legal and other) related to a legal case	(1,874)	(1,305)
	572	(1,305)

20. Comparative amounts:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2020 financial statements. There has been no impact to the Hospital's surplus (deficiency) of revenue over expense.

21. Impact of Coronavirus COVID-19 Pandemic:

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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

21. Impact of Coronavirus COVID-19 Pandemic: (Cont'd)

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 COVID-related expenses of \$1,703,000 and has recognized \$1,110,000 of revenue from these programs. These amounts have been recorded in base funding revenue and compensation, medical/surgical supplies, drugs, rental/lease of equipment and other supplies and expenses in the statement of revenue and expense.

b) Subsequent events related to COVID-19:

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding 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. The main risk for the Hospital is related to insurance companies possibly delaying payments due to COVID-19.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

21. Impact of Coronavirus COVID-19 Pandemic: (Cont'd)

c) Impact of COVID-19 on financial risks: (Cont'd)

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, parking revenues and other forms of patient revenue. The Hospital is continuously monitoring their cash flow in order to maintain its liquidity moving forward.

iii) Market risk:

Market risk has increased due to significant volatility in financial markets as discussed below:

a. Currency risk:

The Hospital's investments in foreign currency instruments have heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic.

b. Interest rate risk:

The Hospital's interest rate risk on its debt and SWAP instruments has increased due to significant and sudden decreases in interest rates, resulting in a significant decrease in the fair value of the interest rate SWAP derivative. The Hospital has no plans to exit the SWAP agreement prior to the end of the term.

The Ministry of Health (MOH) recommended cost of borrowing rate recommended for hospitals is 3.29%. The higher discount rate is likely due to the MOH assumption that interest rate declines are temporary. Sustained lower interest rates will impact calculated post-retirement benefit obligations.

c. Other price risk:

Other price risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in equity markets.

The Hospital is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Hospital's operations and financial position.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2020

21. Impact of Coronavirus COVID-19 Pandemic: (Cont'd)

c) Impact of COVID-19 on financial risks: (Cont'd)

d. Procurement and delivery:

Availability of certain supplies such as Personal Protective Equipment (PPE) is unpredictable due to COVID-19 pressures. Essential capital equipment such as ventilators are in short supply.

e. Health Information System Project:

The COVID-19 pandemic has pushed back the Hospital's original planned Go-Live date of November 2020 to early 2021. Any further delays could increase the cost of the project.

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. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.