



FINANCIAL STATEMENTS

MARCH 31, 2021

Our Vision: Outstanding Care - No Exceptions!

Our Mission: Provide quality person-centered health care services to our community.



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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, 2021
- 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 revenue and expense 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, its remeasurement losses, 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.



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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.



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- 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.
- 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 23, 2021

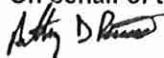
STATEMENT OF FINANCIAL POSITION

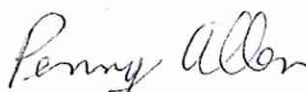
Year ended March 31, 2021, with comparative information for 2020.

	2021 \$ (000)	2020 \$ (000)
ASSETS		
Current assets:		
Cash	119,892	-
Cash restricted for special purposes (Note 3)	5,422	-
Accounts receivable, net (Note 2)	106,049	20,796
Inventories	5,711	5,139
Prepaid and deferred charges	3,729	5,259
Due from related parties (Note 18)	2,522	2,116
	243,325	33,310
Investments held for capital purposes (Note 4)	-	6,044
Long term investments (Note 5)	25,022	-
Capital assets: (Note 6)		
Cost	482,519	436,639
Less: Accumulated amortization	254,722	240,188
	227,797	196,451
	496,144	235,805
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Bank indebtedness (Note 7)	-	11,623
Bank indebtedness H.I.S. project financing (Note 7)	-	19,100
Accounts payable and accrued liabilities (Note 8)	125,120	82,950
Current portion of accrued benefit liabilities (Note 9)	1,196	1,134
Current portion of capital lease (Note 10)	495	742
Current portion of loans payable (Note 11)	3,355	3,569
	130,166	119,118
Long-Term liabilities:		
Loans payable (Note 11)	39,641	37,118
Debentures (Note 12)	200,000	-
Accrued sick leave entitlements	6,758	6,934
Capital lease (Note 10)	933	1,340
Accrued benefit liabilities (Note 9)	23,478	22,624
Deferred capital grants net of amortization (Note 13)	124,933	121,663
Interest rate swaps	1,234	1,795
	396,977	191,474
Net assets - unrestricted	(29,776)	(72,992)
Accumulated remeasurement losses	(1,223)	(1,795)
Commitments and contingencies (Notes 16 and 17)	-	-
Subsequent events (Notes 5 and 21)	-	-
	496,144	235,805

See accompanying notes to financial statements

On behalf of the Board:


 Anthony Paniccia
 Chairperson


 Penny Allen
 Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

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

	2021 \$ (000)	2020 \$ (000)
Balance, beginning of year	(72,992)	(75,831)
Excess of revenue over expense	43,216	2,839
Balance, end of year	(29,776)	(72,992)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

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

	2021 \$ (000)	2020 \$ (000)
Balance, beginning of year	(1,795)	(1,501)
Unrealized gain/(loss) attributable to interest rate swap	561	(294)
Unrealized gain attributable to long term investment	11	-
Balance, end of year	(1,223)	(1,795)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

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

	2021 \$ (000)	2020 \$ (000)
Revenue:		
Provincial programs (Note 23)	509,601	450,928
Patient services	31,733	36,261
Other fees and revenue	47,375	49,782
	588,709	536,971
Expense:		
Salaries and wages	260,466	242,858
Employee benefits	64,378	61,424
Employee future benefits (Note 9)	2,051	2,325
Medical staff remuneration	58,057	54,183
Medical and surgical supplies	40,468	35,882
Drugs and medicines	67,631	60,153
Other supplies and expense	76,188	61,257
Equipment rental	3,623	2,675
Amortization of capital assets	14,534	13,947
	587,396	534,704
Surplus of revenue over expense before other income/ (expense) items	1,313	2,267
Other income (expense) items (Note 22)	41,903	572
Surplus of revenue over expense for the year	43,216	2,839

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

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

	2021 \$ (000)	2020 \$ (000)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus of revenue over expense for the year	43,216	2,839
Add items not involving cash:		
Amortization of capital assets (Note 6)	14,534	13,946
Deferred grant amortization (Note 13)	(7,260)	(6,551)
	50,490	10,234
Cash flows from (used) in changes in operating balances (Note 14)	(49,250)	14,493
Cash flows from operating activities	1,240	24,727
CASH FLOWS USED IN CAPITAL ACTIVITIES:		
Additions to capital assets	(45,880)	(36,812)
Capital grants and donations received (Note 13)	10,530	7,842
Cash flow used in capital activities	(35,350)	(28,970)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Long term investments	(25,011)	-
Investments held for capital purposes (Note 4)	6,044	(479)
Cash flow used in investing activities	(18,967)	(479)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Accounts receivable, capital (Note 2)	-	(299)
Debenture issue (Note 12)	200,000	-
Bank indebtedness	(30,723)	(2,028)
Capital lease (Note 10)	(654)	2,082
Loans payable	2,309	2,264
Accounts payable, capital (Note 8)	2,037	2,703
Cash flows from financing activities	172,969	4,722
NET CHANGE IN CASH FOR THE YEAR	119,892	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	119,892	-

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

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, 2021

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 (14.52 years in previous valuation – 2020).

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, 2021

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. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Hospital has elected to record all investments at 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, 2021

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 net realizable value of inventory, 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, including amounts recoverable by the Ministry, as well as accrued benefit liabilities.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

2. Accounts receivable:

Accounts receivable consist of:

	2021 \$ (000)	2020 \$ (000)
Ministry of Health – operating	82,829	1,571
Ministry of Health – capital	2,325	2,325
Insurers and patients	9,184	8,796
Sales tax recoveries	3,116	1,956
Cancer Care Ontario – drug funding	2,231	3,300
Other	7,864	4,260
	107,549	22,208
Allowance for doubtful accounts	(1,500)	(1,412)
	106,049	20,796

3. Cash restricted for special purposes:

Cash restricted for special purposes consists of:

	2021 \$ (000)	2020 \$ (000)
Cash	5,422	-

These funds are restricted to fund the interest payments on the debenture. The account will be funded throughout the year with cash generated from operations. These investments are classified as Level 1.

4. 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:

	2021 \$ (000)	2020 \$ (000)
Balance, beginning of year	6,044	5,565
Interest earned in the year	16	37
Preferred accommodation, capital charge	161	442
Used for capital purposes	(799)	-
Transfer to cash restricted for special purposes	(5,422)	-
	-	6,044

These investments are classified as Level 1.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

5. Long term investments:

The Hospital established a sinking fund in March 2021 with an initial investment of \$25 million and has engaged two investment managers to invest these funds. The purpose of the sinking fund is to be used to retire the debenture on its maturity on November 18, 2060. The Hospital may from time to time make additional capital contributions as approved by the Hospital's Board of Directors. These externally managed funds are comprised of the following:

March 31, 2021

Fund 1	Market Value	Cost	\$ (000)	
			Allocation at Market Value	Permissible Range
Cash equivalents	\$ 1,625	\$ 1,625	13.0%	2-20%
Domestic bonds	-	-	0.0%	0-18%
Domestic equities	5,399	5,375	43.1%	35-60%
Global equities	5,510	5,511	43.9%	35-60%
Total Fund 1	12,534	12,511	100.0%	

Fund 2	Market Value	Cost	\$ (000)	
			Allocation at Market Value	Permissible Range
Cash equivalents	\$ 9,580	\$ 9,566	76.7%	2-20%
Domestic bonds	-	-	0.0%	0-18%
Domestic equities	1,346	1,361	10.8%	35-60%
Global equities	1,562	1,573	12.5%	35-60%
Total Fund 2	12,488	12,500	100.0%	

Total	Market Value	Cost	\$ (000)	
			Allocation at Market Value	Permissible Range
Cash equivalents	\$11,205	\$11,191	44.8%	2-20%
Domestic bonds	-	-	0.0%	0-18%
Domestic equities	6,745	6,736	26.9%	35-60%
Global equities	7,072	7,084	28.3%	35-60%
Total	25,022	25,011	100.0%	

Due to the timing of these investments, the respective fund managers were unable to place these investments within the permissible ranges. These funds are classified as Level 1.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

6. Capital assets:

Capital assets consist of:

March 31, 2021

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	12,354	-	12,354
Land improvements	3,183	3,183	-
Buildings	221,050	103,874	117,176
Equipment	169,229	134,661	34,568
Computer software and licenses	14,111	13,004	1,107
Construction in progress	62,592	-	62,592
	482,519	254,722	227,797

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

The amount of amortization included in the statement of revenue and expense is \$14,534,000 (\$13,946,000 in 2020). The Hospital capitalized \$314,000 interest on the HIS project in the year (\$257,000 in 2020).

7. Bank indebtedness:

The Hospital has available for its use a demand operating credit facility in the amount of \$30 million (\$15 million – March 31, 2020). As at March 31, 2021, the Hospital did not utilize this facility (\$12,963,000 – March 31, 2020).

The Hospital during the year repaid the credit facility used to finance the HIS project (see note 15 (d) (\$19.1 million – March 31, 2020).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

8. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2021 \$ (000)	2020 \$ (000)
Accounts payable - trade	28,465	24,018
Accounts payable - capital	5,430	3,393
Vacation pay entitlement	24,990	23,263
Accrued salaries and benefits	17,821	17,482
Payroll withholdings	9,083	8,521
Ministry of Health/LHIN	35,392	4,235
Deferred revenue – Ministry of Health/LHIN	1,454	-
Deferred revenue – Cancer Care Ontario	747	265
Deferred revenue – Other	828	847
Other	910	926
	125,120	82,950

Included in accounts payable and accrued liabilities are government remittances payable of \$4,877,000 (\$4,751,000 - March 31, 2020), which include amounts for HST and payroll related matters.

9. 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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

9. Accrued benefit liabilities/obligations: (cont'd)

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, 2021 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	5.80%	5.39%
- 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	3.29%	3.29%
◆ Discount rate – end of year	3.21%	3.21%

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 2020-2021:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
Health Care Trend Rate (+/- 1.0%):		
Total service and interest costs	229	(191)
Benefit obligation at March 31, 2021	2,094	(1,778)
Discount Rate (+/- 0.5%):		
Total service and interest costs	(25)	26
Benefit obligation at March 31, 2021	(1,433)	1,661

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

9. Accrued benefit liabilities/obligations: (cont'd)

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

	2021			2020		
	\$ (000)			\$ (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	2,532	21,019	23,551	2,191	20,521	22,712
Current service cost	-	1,029	1,029	-	1,017	1,017
Interest costs	79	711	790	67	671	738
Expected termination from Long-Term disability payments	(353)	-	(353)	(365)	-	(365)
Actuarial (gain) loss	149	103	252	550	(327)	223
Benefits paid	(225)	(908)	(1,133)	(186)	(863)	(1,049)
Expected reserve for new claims	348	-	348	275	-	275
Balance at end of year	2,530	21,954	24,484	2,532	21,019	23,551
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	225	908	1,133	186	863	1,049
Benefits paid	(225)	(908)	(1,133)	(186)	(863)	1,049
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(2,530)	(21,954)	(24,484)	(2,532)	(21,019)	(23,551)
Unamortized net actuarial losses	-	(191)	(191)	-	(207)	(207)
	(2,530)	(22,145)	(24,675)	(2,532)	(21,226)	(23,758)
Current portion	203	993	1,196	225	909	1,134
Long-Term portion	2,327	21,152	23,478	2,307	20,317	22,624

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

9. Accrued benefit liabilities/obligations: (cont'd)

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

	2021			2020		
	\$ (000)			\$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
Current service cost	-	1,029	1,029	-	1,017	1,017
Interest cost	79	711	790	67	671	738
Expected terminations from Long-Term disability benefits	(353)	-	(353)	(365)	-	(365)
Amortization of actuarial loss	149	88	237	550	110	660
Expected reserve for new claims	348	-	348	275	-	275
Total expense	223	1,828	2,051	527	1,798	2,325

10. Capital Lease:

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

	2021	2020
	\$ (000's)	\$ (000's)
2021	-	742
2022	495	495
End of Term – early buy-out option month 30	<u>973</u>	<u>973</u>
Total minimum lease payments	1,468	2,210
Less: amount representing interest at 4.92%	<u>(40)</u>	<u>(128)</u>
Present value of net minimum capital lease payments	1,428	2,082
Less: current portion of obligations under capital lease	<u>(495)</u>	<u>(742)</u>
	\$ <u>933</u>	\$ <u>1,340</u>

Interest of \$88,000 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, 2021

11. Loans payable:

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

	2021 \$ (000's)	2020 \$ (000's)
Committed non-revolving instalment loan funded through unsecured bankers' acceptances with a minimum stamping fee of .35% per annum, and subject to an interest rate-swap agreement which effectively fixes the underlying bankers' acceptance rate applicable to this loan at 5.035% until November 30, 2030. The principal and interest payments are made each month.	7,980	8,609
Committed non-revolving instalment loan funded through unsecured bankers' acceptances with a minimum stamping fee of 0.70% per annum. The principal and interest payments are made each month until maturity at October 15, 2040. The effective interest rate at March 31, 2021 was 1.22%.	5,875	-
The Hospital has a \$6.8 million equipment facility with \$3.8 million utilized as at March 31, 2021 (\$5.35 million as at March 31, 2020) 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	1,029	1,341
2.46% interest rate renewable on March 18, 2025 with blended monthly payments of principal and interest of \$32,154	1,468	1,813
2.46% interest rate renewable on March 18, 2025 with blended monthly payments of principal and interest of \$27,748	1,267	1,565
2.44% interest rate maturing on March 28, 2021 with blended monthly payments of principal and interest of \$52,613	-	623
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	3,200	3,384
2.69% interest rate renewable on February 12, 2022 with blended monthly payments of principal and interest of \$42,121	5,868	6,211
2.84% interest rate renewable on February 15, 2030 with blended monthly payments of principal and interest of \$50,514	6,962	7,364
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580	9,347	9,777
Total loans payable	42,996	40,687
Less: current portion	3,355	3,569
	39,641	37,118

Interest rate swap is considered a Level 2 instrument.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

11. Loans payable: (cont'd)

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

2022	3,355,000
2023	3,466,000
2024	3,381,000
2025	3,174,000
2026	2,529,000
Thereafter	<u>27,091,000</u>
Total	<u>\$42,996,000</u>

12. Debentures:

On November 18, 2020, the Hospital issued \$200 million of Series A Senior Unsecured Debentures to fund capital projects and provide working capital. The debentures bear interest at 2.711% which is payable semi-annually on May 18 and November 18, with the principal to be repaid on November 18, 2060.

13. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2021

		\$ (000)	
	Grant	Accumulated Amortization	Net
Land improvements	434	434	-
Buildings	153,693	56,299	97,394
Equipment	77,163	62,947	14,216
Construction in progress	13,323	-	13,323
	244,613	119,680	124,933

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

The amount of amortization included in the statement of revenue and expense is \$7,260,000 (\$6,551,000 in 2020).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

13. Deferred capital grants: (cont'd)

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

	2021 \$ (000)	2020 \$ (000)
Windsor Cancer Centre Foundation	970	804
Windsor Regional Hospital Foundation	1,597	962
Ministry of Health – HIRF	1,168	1,542
Ministry of Health – COVID-19	5,874	-
Ministry of Health – Capital Planning Grant	-	3,600
Cancer Care Ontario	736	533
Other	185	401
	10,530	7,842

14. Cash flow information:

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

	2021 \$ (000)	2020 \$ (000)
Cash restricted for special purposes	(5,422)	-
Accounts receivable, non-capital	(85,253)	6,339
Inventories	(572)	(1,263)
Prepaid and deferred charges	1,530	(1,812)
Due from related parties	(406)	221
Accounts payable and accrued liabilities, non-capital	40,133	10,146
Accrued sick leave entitlements	(176)	(414)
Accrued benefit liabilities	916	1,276
	(49,250)	14,493

Interest paid during the year amounted to \$3,785,000 (\$1,940,000 in 2020).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

15. 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 \$21,365,000 (\$20,432,000 in 2020). 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, 2020 indicates that the plan is fully funded (2019 – fully funded).

16. Leases:

Under the terms of various non-capital equipment leases expiring through 2026, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2022	\$2,080,000
▪ 2023	\$1,726,000
▪ 2024	\$1,549,000
▪ 2025	\$1,235,000
▪ 2026	\$ 588,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

17. 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, 2021, 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, 2021 (\$ Nil as at March 31, 2020). 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 \$48,659 (\$140,163 in 2020) or 46.34% of the lease obligation outstanding as at March 31, 2021.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

17. 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 value of the investment for the Hospital at March 31, 2021 is \$49.2 million (\$24.3 million - March 31, 2020). Upon completion, the estimated ten (10) year cost of operations will be approximately \$6.2 million. The successful Go-Live of the project took place on April 11, 2021. The hospital will amortize the cost of the project over fifteen (15) years and the related equipment over an eight (8) year period.

18. 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, 2021, net resources of the Foundation amounted to \$19,966,000 (\$14,273,000 in 2020) of which \$18,802,000 (\$13,786,000 in 2020) 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, 2021, the Foundation had excess revenue over expense of \$5,693,000 (\$1,691,000 excess of revenue over expense in 2020).

During the year the Hospital received \$1.4 million in gifts-in-kind donations of personal protective equipment from the community through the Foundation.

The amount owing from the Foundation as at March 31, 2021 is \$2,522,000 (\$2,116,000 as at March 31, 2020). These amounts are settled as mutually agreed upon in the next fiscal year.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

19. 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 \$33,395,000 (2020 - \$26,149,000) to TransForm for Information Technology/Information Systems services and for purchasing and payment services. Included in this amount is \$12,819,000 (\$10,140,000 in 2020) related to the HIS project. The balance payable to TransForm at March 31, 2021 is \$4,712,000 (\$2,041,000 in 2020) and has been included in accounts payable.

20. 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:

	2021 \$ (000)	2020 \$ (000)
Surplus of revenue over expense for the year	43,216	2,839
Add: net building amortization	1,536	1,633
interest on long-term liabilities	3,532	1,695
Year end total margin	48,284	6,167

The Hospital met this performance indicator in 2021 (2020 – indicator met).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

21. 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 2020.

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 2020.

22. 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:

	2021 \$ (000)	2020 \$ (000)
Ministry of Health working capital funding (Note 24)	42,904	-
Electricity rebate	-	2,446
Professional fees (legal and other) related to a legal case	(1,001)	(1,874)
	41,903	572

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

23. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19), the Ministry of Health has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the Ministry of Health is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the Ministry of Health 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 of Health 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 of Health revenue for COVID-19 is based on the most recent guidance provided by Ministry of Health 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 of Health. However, given the potential for future changes to funding programs that could be announced by the Ministry of Health, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of Ministry of Health revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the Ministry of Health funding for COVID-19 recognized as revenue in the current and prior year are summarized below:

	2021 \$ (000)	2020 \$ (000)
Funding for incremental COVID-19 operating expenses	\$ 39,101	-
Funding for revenue losses resulting from COVID-19	5,511	-
Broad-based funding reconciliation for other eligible costs and revenue losses	9,483	1,110
Temporary physician funding	5,033	-
Pandemic Pay	7,015	-
	<u>\$ 66,144</u>	<u>\$1,110</u>

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2021

23. Ministry of Health pandemic funding: (cont'd)

In addition to the above, the Hospital has also recognized \$5,874,000 in Ministry of Health funding for COVID-19 related capital expenditures (Nil - March 31, 2020), which has been recorded as an additional to deferred capital contributions during the year.

24. Ministry of Health working capital funding:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the Ministry of Health has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the Ministry of Health. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

25. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the Ministry of Health 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.

26. Comparative amounts:

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 surplus of revenue over expense.