

Financial Statements of

**CAMBRIDGE
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020
(Expressed in thousands of dollars)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cambridge Memorial Hospital

Opinion

We have audited the financial statements of Cambridge Memorial Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity 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.

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

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity 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

Waterloo, Canada

June 15, 2020

CAMBRIDGE MEMORIAL HOSPITAL

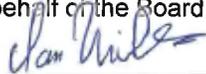
Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 30,584	\$ 19,216
Sinking fund cash	—	67,795
Due from Ontario Ministry of Health ("MOH") (note 2)	1,164	4,101
Other receivables	2,261	4,913
Inventories	2,641	1,977
Prepaid expenses	1,443	1,445
	<u>38,093</u>	<u>99,447</u>
Due from MOHLTC (note 2)	67,837	—
Due from CMH Foundation	6,560	—
Restricted cash (note 3)	24,911	13,629
Special purpose funds restricted cash (note 4)	187	187
Capital assets (note 5)	237,749	231,406
	<u>\$ 375,337</u>	<u>\$ 344,669</u>
Liabilities and Net Assets		
Current liabilities:		
Due to MOH	\$ 1,016	\$ 1,078
Accounts payable and accrued liabilities	26,465	88,226
Deferred revenue	6,186	—
	<u>33,667</u>	<u>89,304</u>
Capital redevelopment construction payable (note 5)	69,925	69,945
Accrued benefit liability (note 6)	3,950	4,001
Deferred capital contributions (note 7)	237,919	154,020
	<u>311,794</u>	<u>227,966</u>
Net assets:		
Unrestricted	4,948	6,142
Externally restricted special purpose funds (note 4)	187	187
Internally restricted special purpose funds (notes 4 and 8)	24,741	21,070
	<u>29,876</u>	<u>27,399</u>
Commitments (note 9)		
Contingencies (note 10)		
Subsequent events (note 15)		
	<u>\$ 375,337</u>	<u>\$ 344,669</u>

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Operations
(Expressed in thousands of dollars)

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

	2020	2019
Revenue:		
MOH operating funding	\$ 109,663	\$ 103,813
Billable patient services	15,015	14,424
Recoveries and miscellaneous revenue	15,554	13,091
Program specific funding	3,587	3,555
MOH recoveries	1,866	1,789
Amortization of deferred capital contributions - equipment (note 7)	1,469	1,278
Interest income	575	446
	<u>147,729</u>	<u>138,396</u>
Expenses:		
Salaries and wages	66,352	62,336
Medical staff remuneration	19,857	18,423
Employee benefits	17,360	16,413
Supplies and other expense	15,385	13,887
Medical and surgical supplies	10,449	9,782
Drugs and medical gases	8,187	6,989
Program specific expenses	3,587	3,555
Amortization - equipment	3,487	3,278
	<u>144,664</u>	<u>134,663</u>
Excess of revenue over expenses prior to building amortization	3,065	3,733
Amortization of deferred contributions - building (note 7)	2,934	1,104
Amortization - building	(3,522)	(1,713)
Excess of revenue over expenses	<u>\$ 2,477</u>	<u>\$ 3,124</u>

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Changes in Net Assets
(Expressed in thousands of dollars)

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

	Unrestricted	Externally restricted special purpose funds	Internally restricted special purpose funds	2020 Total	2019 Total
Balance, beginning of year	\$ 6,142	\$ 187	\$ 21,070	\$ 27,399	\$ 24,275
Excess (deficiency) of revenue over expenses	(1,194)	–	3,671	2,477	3,124
Balance, end of year	\$ 4,948	\$ 187	\$ 24,741	\$ 29,876	\$ 27,399

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Cash Flows
(Expressed in thousands of dollars)

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

	2020	2019
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	\$ 2,477	\$ 3,124
Items not involving cash:		
Amortization of capital assets	7,009	4,991
Amortization of deferred grants and donations	(4,403)	(2,382)
Change in employee future benefits (note 6)	(51)	(60)
Change in non-cash operating working capital (note 11)	(50,710)	(456)
	(45,678)	5,217
Investing:		
Acquisition and construction of capital assets	(13,352)	(37,437)
Financing:		
Capital donations and grants	13,905	16,199
Capital redevelopment construction payable	(20)	20,574
	13,885	36,773
Increase (decrease) in cash	(45,145)	4,553
Cash, beginning of year	100,640	96,087
Cash, end of year	\$ 55,495	\$ 100,640

Cash consists of the following:

Cash	\$ 30,584	\$ 19,216
Sinking fund cash	—	67,795
Restricted cash	24,911	13,629
	\$ 55,495	\$ 100,640

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

The Cambridge Memorial Hospital (the "Hospital") is incorporated without share capital under the Corporations Act (Ontario). The Hospital is an acute care community hospital providing patient focused care to the residents of Cambridge, North Dumfries and surrounding areas as part of an integrated healthcare system.

The Hospital is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as an organization registered under the Act, the Hospital must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Under the Health Insurance Act and Regulations thereto, the Hospital is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health (the "Ministry" or "MOH") and the Local Health Integration Network ("LHIN"). The financial statements reflect agreed funding arrangements approved by the Ministry. The Hospital has entered into an accountability agreement with the Waterloo Wellington LHIN which requires that the Hospital meet certain financial and non-financial performance indicators.

1. Significant accounting policies:

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

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

a) Basis of presentation:

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

(i) Cambridge Memorial Hospital Foundation:

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

(ii) Cambridge Memorial Hospital Volunteer Association:

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

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

b) Inventories:

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

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The Hospital records amortization of its capital assets on a straight-line basis over the estimated useful life of the asset at the following annual rates:

Land improvements	2 - 25 years
Building	10 - 40 years
Equipment	3 - 20 years

No amortization is recorded on capital projects in progress.

d) Revenue recognition:

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

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOH. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2020.

To the extent which MOH funding has been received with the stipulated requirement that the Hospital provide specific services, for example, provide a contracted volume of service, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent. In the event that the services are not performed in accordance with the funding requirements, the funds received in excess of monies spent could be recovered by the MOH.

Revenue from patients and other sources is recognized as the services are performed, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

e) Employee future benefits:

(i) Multi-employer plan:

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

(ii) Defined benefit plan:

The Hospital accrues its obligations under employee defined benefit dental and health care plans, and the related costs as the employees render the services necessary to earn the future benefits. The Hospital offers the plan to two groups of employees as described in note 6.

The cost of the accrued benefit obligations for retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2018 together with projection of these results to March 31, 2020. The next required valuation will be as of April 1, 2020.

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

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the defined benefit dental and health care plan is 12 years (2019 - 12 years).

f) Deferred capital contributions:

Capital grants and donations received by the Hospital are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate for the related assets purchased.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

g) Measurement uncertainty:

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

The amount of revenue recognized from the Ministry and the LHIN requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by the Waterloo Wellington LHIN for the year ended March 31, 2020. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and the LHIN may have the right to adjust funding received. Neither the Ministry nor the LHIN are required to communicate certain funding adjustments until after submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry/LHIN funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The MOH, through the LHIN, has implemented a provincial funding model using the Health Based Allocation Model ("HBAM"), Quality Based Procedures ("QBP"), Post Construction Operating Plan ("PCOP"), and Global funding. The result of utilizing this new model has led to some funding uncertainty due to a focus on efficiency and outcomes, driven by rates and service levels.

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 is not reflected in these financial statements.

i) Financial instruments:

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

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

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

i) Financial instruments (continued):

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

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

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

Long-term payables are recorded at cost.

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

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

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

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

2. Due from Ontario Ministry of Health and Long-Term Care:

	2020	2019
Operating	\$ 1,164	\$ 3,646
Capital:		
Capital redevelopment project	67,837	455
	<u>\$ 69,001</u>	<u>\$ 4,101</u>

3. Restricted cash:

Restricted cash consists of funds advanced by the MOH and the Cambridge Memorial Hospital Foundation for the following:

	2020	2019
Capital redevelopment project	\$ 24,188	\$ 11,849
Hospital Infrastructure Renewal Fund	723	1,780
	<u>\$ 24,911</u>	<u>\$ 13,629</u>

4. Special Purpose Funds:

a) Externally restricted special purpose funds:

The net assets include \$187 (2019 - \$187) designated for specific purposes.

b) Internally restricted special purpose funds:

The net assets include \$24,741 (2019 - \$21,070) invested in capital assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 937	\$ –	\$ 937	\$ 937
Land improvements	1,256	943	313	322
Buildings	242,182	39,766	202,416	26,992
Equipment	75,208	51,409	23,799	4,527
Construction in progress	10,284	–	10,284	198,628
	\$ 329,867	\$ 92,118	\$ 237,749	\$ 231,406

The Hospital, working with Infrastructure Ontario, has begun a redevelopment project with an approved cost of \$252,393 including change orders of \$2,827 (2019 - \$2,701). The contractor's original estimated date of completion was March 31, 2019. Funding for the capital redevelopment project ("CRP") will be \$216,317 from the MOH and \$36,076 from the Cambridge Memorial Hospital Foundation.

As at March 31, 2020, the Hospital has incurred redevelopment costs of \$194,053 (2019 - \$186,451). The redevelopment costs include \$57,900 (2019 - \$51,161) of costs for construction, planning and design, of which \$43,465 (2019 - \$41,907) have been funded by the Ministry and \$14,435 (2019 - \$9,254) funded by the CMH Foundation. The general contractor has financed the construction costs of \$136,153 (2019 - \$135,290).

On November 8, 2019, Cambridge Memorial Hospital reached Interim Completion on Phase 2 of the CRP and moved into the new facility on January 18, 2020. A lump sum payment of \$65,000 less deficiencies and delay claim was made and the balance of the payment will be made at project closure.

On December 6, 2018 the project lenders brought a receivership application in respect of 2423402 Ontario Inc., the "Project Co" contracted to complete the CRP. The application was granted and a receiver was appointed over Project Co. The receiver's first action was to declare the construction contract between Project Co and Bondfield Construction Company Limited ("Bondfield") in default and to make a demand on Bondfield's performance bond issued by Zurich Insurance Company Ltd. as "Surety". Due to Bondfield's recent filing for creditor protection, negotiations on how to proceed and reach substantial completion of the CRP are on-going between the lenders, the Surety, Infrastructure Ontario and the Hospital. As at March 31, 2020, the project has been delayed thirty-eight months and the date of completion of the project is unknown. As a result of the delays, the cost of the project has increased and claims have been made against Project Co and the Surety under the performance bond. An amount of \$10 million was withheld from the Interim Completion payment as compensation in lieu of damages incurred by the Hospital due to the delays.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

5. Capital assets (continued):

The start date of Phase 3 of the CRP remains undetermined and is dependent on the resolution of negotiations between the lenders, the Surety, Infrastructure Ontario and the Hospital.

6. Pension and other post-employment benefits:

a) Accrued benefit liability:

The Hospital has an unfunded defined benefit dental, health care and life insurance plan for two groups of employees and retirees with post retirement benefits. The Hospital measures its liability for accounting purposes based on the most recent actuarial valuation which occurred at April 1, 2018, together with projection of these results to March 31, 2020. The next required actuarial valuation is April 1, 2020. Information about the Hospital's defined benefit plans as at March 31 is as follows:

	2020	2019
Accrued benefit liability, beginning of year	\$ 4,001	\$ 4,061
Benefit expense	106	101
Benefits paid	(157)	(161)
Accrued benefit liability, end of year	\$ 3,950	\$ 4,001

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

	2020	2019
Accrued benefit obligation (at end of year):		
Discount rate	3.37%	3.37%
Dental cost increases	2.75%	2.75%
Medical cost increases	5.75%	6.00%
	reducing to 4.50% in 2025	reducing to 4.50% in 2025
Benefit costs (for fiscal year):		
Discount rate	3.37%	3.37%

b) Reconciliation of accrued benefit obligation to accrued benefit liability:

	2020	2019
Accrued benefit obligation, end of year	\$ 2,612	\$ 2,560
Add: unamortized net actuarial gain	1,338	1,441
Accrued benefit liability, end of year	\$ 3,950	\$ 4,001

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

6. Pension and other post-employment benefits (continued):

c) Net benefit (recovery) costs recognized:

	2020	2019
Current service costs	\$ 121	\$ 117
Interest costs	87	86
Amortization of net actuarial gain	(102)	(102)
Total net benefit costs recognized	106	101
Cash paid - employer contributions	(157)	(161)
Net recovery recognized	\$ (51)	\$ (60)

d) Pension plan:

Substantially all of the employees of the Hospital are eligible to be members of HOOPP, which is a multi-employer high five average pay contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan indicates that the plan has a surplus of \$20,555,000 as of December 31, 2019.

Employer contributions made to the plan during the year by the Hospital amounted to \$5,948 (2019 - \$5,611). These amounts are included in employee benefits expense in the statement of operations.

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets.

	2020	2019
Balance, beginning of year	\$ 154,020	\$ 140,203
Add contributions received/receivable for capital purposes:		
Ministry of Health and Long-Term Care	81,477	6,661
Cambridge Memorial Hospital Foundation	6,825	9,538
	88,302	16,199
Less amortization of deferred capital contributions:		
Equipment	(1,469)	(1,278)
Buildings	(2,934)	(1,104)
Balance, end of year	\$ 237,919	\$ 154,020

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

8. Internally restricted - special purpose funds:

Internally restricted - special purpose funds are calculated as follows:

	2020	2019
Capital assets	\$ 237,749	\$ 231,406
Amounts financed by:		
Restricted cash	24,911	13,629
Deferred capital contributions	(237,919)	(154,020)
Capital redevelopment construction payable	–	(69,945)
	\$ 24,741	\$ 21,070

9. Commitments:

a) Lease commitments:

The Hospital is committed to minimum annual lease payments as follows:

2021	\$ 359
2022	215
2023	172
2024	158
2025	125
	\$ 1,029

b) Service commitments:

The Hospital is a member of a group of 40 hospitals, long term care facilities and health authorities within Ontario that voluntarily entered into a joint agreement for the purpose of planning, developing, implementing and operating a regional supply chain service consisting of procurement and contract negotiation.

During the year, the Hospital incurred expenditures of \$155 (2019 - \$130) to Mohawk Medbuy for services. Under the terms of the agreement the Hospital is committed for three years ending March 31, 2021. The annual fee is determined each year based on cost changes incurred by Mohawk Medbuy, member hospital medical surgical consumption, changes in the level of service received by Mohawk Medbuy and changes to the membership of Mohawk Medbuy. The expected cost will remain unchanged from 2020. These costs are included in supplies and other expenses on the statement of operations.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

9. Commitments (continued):

b) Service commitments (continued):

The Hospital is a member of the Southwestern Ontario Diagnostic Imaging Network ("SWODIN") as part of a 3 year agreement. This project gives authorized health care providers access to diagnostic images and corresponding reports from hospitals and independent health facilities across multiple LHINs. The services are provided on a cost recovery basis. Ongoing fees are based on volumes of exams and are estimated to be \$105 annually. This project receives financial support from Canada Health Infoway and eHealth Ontario.

c) Letter of credit:

The Hospital issued a standby letter of credit through its financial institution to provide guarantees to City of Cambridge for \$200 due September 13, 2020, Energy + Inc. for \$560 due on January 11, 2021, Energy + Inc. for \$1,153 due March 20, 2021, Energy + for \$202 due June 5, 2021.

10. Contingencies:

- a) The nature of the Hospital activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2020, management believes the Hospital has valid defenses and/or appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and therefore has an economic interest in HIROC. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2020.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. As at December 31, 2019, the Hospital's plan is in a surplus position. Each subscriber, who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors at HIROC. HIROC distributed \$66 to the hospital for the year ended March 31, 2020 (2019 - \$86).

- b) The Hospital has received funding from the MOH and Waterloo Wellington LHIN for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the Ministry and the Waterloo Wellington LHIN are entitled to recover funds. Such recoveries are recognized as a liability owing to these parties in the relevant fiscal period.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2020

11. Supplemental cash flow information:

- a) Net change in non-cash operating working capital balances::

	2020	2019
Accounts receivable not applicable to capital assets	\$ 5,589	\$ (2,433)
Inventories	(664)	(84)
Prepaid expenses	2	291
Accounts payable and accrued liabilities not applicable to capital assets	(55,637)	1,770
Net change in non-cash operating working capital balances	\$ (50,710)	(456)

- b) Non-cash reconciling items:

	2020	2019
Non-cash capital donations and grants	\$ 74,397	\$ -
Change in accounts receivable	(74,397)	-
	\$ -	-

12. Financial risks:

- c) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Hospital's surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

- b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

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

The Hospital has financing available in the form of a demand loan which is not drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.85% and is payable monthly.

CAMBRIDGE MEMORIAL HOSPITAL

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12. Financial risks (continued):

c) Credit risk:

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

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

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is \$575 (2019 - \$502).

As at March 31, 2020, \$1,544 (2019 - \$1,016) of third party accounts receivable were past due, but not impaired.

d) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows. The Hospital has developed a multi-year cash flow strategy.

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

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

13. Related party transactions:

(a) Cambridge Memorial Hospital Foundation:

The Hospital has an economic interest in the Cambridge Memorial Hospital Foundation (the "Foundation"). During the year, the Foundation granted \$452 (2019 - \$9,538) to the Hospital to fund capital equipment, building renovations and education. The accounts of the Foundation are not included in these financial statements.

(b) Cambridge Memorial Hospital Volunteer Association:

The Cambridge Memorial Hospital Volunteer Association (the "Volunteer Association") is an independent organization which raises funds and contributes these funds to the Hospital for capital and program funding purposes. The accounts of the Volunteer Association are not included in these financial statements.

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Notes to Financial Statements
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14. Credit facilities:

- a) The Hospital has available to it a \$7,000 revolving demand loan from the bank to finance general operating requirements. This facility is available by way of the bank's prime based loans or overdrafts at the bank's prime lending rate minus 0.85% per annum or bankers' acceptances with a stamping fee of 0.40% per annum.
- b) The Hospital has available to it a \$7,000 term facility from the bank to finance the redevelopment project. This facility is available by way of multiple draws permitted up to the credit limit amortized over twenty-five years quoted by the bank at the time of borrowing.
- c) The Hospital has available to it a \$6,000 committed interest only facility to finance capital equipment. The loan is amortized over five years quoted by the bank at the time of borrowing.

15. 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 postponement of all elective and non-urgent surgical procedures
- Access to the hospital by the public was closed. The Emergency department and certain defined procedures remained open for service to the public
- Non-essential employees were redeployed to areas in the Hospital which had incurred an increase in demand for service as a result of COVID-19
- As a result of a supply shortage of Personal Protective Equipment ("PPE") the Hospital purchased PPE off of contract resulting in a significant increase in cost for PPE
- Services provided to patients who were from out of the province or from out of the country were no longer billable as directed by the Ministry.

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 and Long Term Care of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. These amounts have been recorded in salaries and supplies expenses in the statement of operations.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
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Year ended March 31, 2020

15. Impact of Coronavirus COVID-19 Pandemic (continued):

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.

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.