

Financial Statements of

**DEEP RIVER AND DISTRICT  
HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Deep River and District Hospital

We have audited the accompanying financial statements of Deep River & District 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 Deep River & District Hospital as at March 31, 2020, and its results of operations, its changes in net assets and its cash flows for the period 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 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.



Page 2

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' Responsibility 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.

- 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.



Page 3

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents 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*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada  
June 24, 2020

# DEEP RIVER AND DISTRICT HOSPITAL

## Statement of Operations

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

	2020	2019
Revenue:		
Ministry of Health/Ministry of Long-Term Care	\$ 8,307,583	\$ 8,119,794
Patient services	950,122	829,260
Differential and co-payment revenue	362,677	289,813
Other income and recoveries	1,286,626	1,048,879
Specifically funded programs (note 8)	3,385,012	3,212,551
Amortization of deferred capital contributions	384,588	384,016
	<u>14,676,608</u>	<u>13,884,313</u>
Expenses:		
Salaries, wages and benefits	5,893,857	5,711,727
Medical staff remuneration	1,792,200	1,699,447
Medical and surgical supplies	112,880	106,015
Drugs and medical gases	149,335	123,434
Other supplies and expenses	2,864,468	2,545,233
Specifically funded programs (note 8)	3,492,057	3,326,734
Amortization - equipment	241,136	299,669
	<u>14,545,933</u>	<u>13,812,259</u>
Excess of revenue over expenses before undernoted items	130,675	72,054
Amortization - buildings	(233,592)	(200,106)
Amortization - deferred capital contributions for buildings	34,160	32,347
Interest on long-term debt	(16,485)	(11,796)
Deficiency of revenue over expenses	<u>\$ (85,242)</u>	<u>\$ (107,501)</u>

See accompanying notes to financial statements

# DEEP RIVER AND DISTRICT HOSPITAL

## Statement of Financial Position

March 31, 2020, with comparative information for 2019

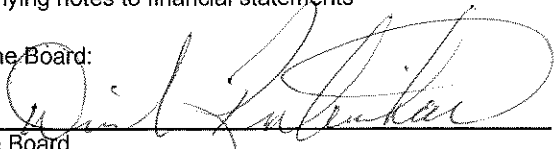
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,296,425	\$ 883,390
Accounts receivable (note 2)	1,055,924	874,653
Inventory	46,770	44,802
Prepaid expenses	92,529	102,538
	<u>2,491,648</u>	<u>1,905,383</u>
Other receivables (note 3)	82,782	193,907
Capital assets (note 4)	6,222,328	5,052,580
	<u>\$ 8,796,758</u>	<u>\$ 7,151,870</u>

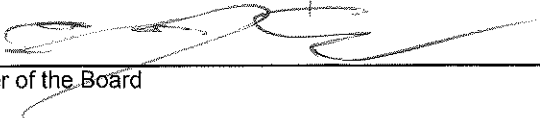
## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 3,312,564	\$ 2,564,210
Deferred revenue	110,157	96,393
Current portion of long-term debt (note 6)	25,289	446,415
	<u>3,448,010</u>	<u>3,107,018</u>
Long-term debt (note 6)	403,384	-
Deferred capital contributions (note 7)	4,601,891	3,616,137
	<u>8,453,285</u>	<u>6,723,155</u>
Net assets	343,473	428,715
Commitments and contingencies (note 10)		
Impact of Coronavirus COVID-19 Pandemic (note 16)		
	<u>\$ 8,796,758</u>	<u>\$ 7,151,870</u>

See accompanying notes to financial statements

On behalf of the Board:

  
Member of the Board

  
Member of the Board

# DEEP RIVER AND DISTRICT HOSPITAL

## Statement of Changes in Net Assets

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

	2020	2019
Net assets, beginning of year	\$ 428,715	\$ 536,216
Deficiency of revenue over expenses	(85,242)	(107,501)
Net assets, end of year	\$ 343,473	\$ 428,715

See accompanying notes to financial statements

# DEEP RIVER AND DISTRICT HOSPITAL

## Statement of Cash Flows

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

	2020	2019
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (85,242)	\$ (107,501)
Adjustments for:		
Amortization of capital assets	509,654	534,803
Amortization of deferred capital contributions	(441,233)	(436,963)
Loss on disposal of capital assets	5,049	-
	(11,772)	(9,661)
Change in non-cash working capital (note 9)	700,013	(12,459)
	688,241	(22,120)
Cash flows from investing activities:		
Purchase of capital assets	(1,684,451)	(793,555)
Donations and grants received for purchases of capital assets	1,426,987	934,459
	(257,464)	140,904
Cash flows from financing activities:		
Repayment of long-term debt	(17,742)	(20,957)
Repayment of capital lease obligation	-	(193,253)
	(17,742)	(214,210)
Net increase (decrease) in cash	413,035	(95,426)
Cash and cash equivalents, beginning of year	883,390	978,816
Cash and cash equivalents, end of year	\$ 1,296,425	\$ 883,390

See accompanying notes to financial statements



# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

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Deep River and District Hospital (the "Organization") is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act. The Organization provides health care for the Deep River, Ontario area. These financial statements include the operational activities of the Deep River and District Hospital, the North Renfrew Family Health Team, and the Four Seasons Lodge Long-Term Care Home.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Organization is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/Ministry of Long-Term Care ("MOH" and "MOH/MO2020-0LTC") and the Champlain Local Health Integration Network ("LHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

Externally restricted 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 for the related capital assets.

Revenue from provincial insurance plans and preferred accommodations, including patient services, differential and co-payment revenue, specifically funded programs, and other income and recoveries, are recognized when the goods are sold or the service is provided.

### (b) Allocation of expenses:

The Deep River and District Hospital results include the operation of the North Renfrew Family Health Team (the "Family Health Team") and Four Seasons Lodge Long Term Care Home ("Four Seasons Lodge").

Departmental expenses are allocated to the Family Health Team and Four Seasons Lodge on the following bases:

Dietary Department - based on meal days for food costs and inpatient day ratio for dietary supplies.

Laundry Department - based on pounds of laundry processed.

General and Administration departments - based on a proration of paid departmental hours over total paid Hospital hours for Four Seasons Lodge and estimated FTE (full time equivalent) for the Family Health Team. Housekeeping supplies, plant operation supplies and security costs are allocated based on estimated percentage utilization.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (c) Inventories:

Inventories consisting of drugs and various radiology and medical supplies are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

### (d) Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits with chartered banks and cashable guaranteed investment certificates.

### (e) Capital assets and amortization:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:

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Land improvements	20 years
Buildings	20 - 40 years
Equipment	2.5 to 20 years

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Capital expenditures for construction projects in progress are not amortized until construction is complete and the asset is put into service. Land is not amortized.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Organization uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

### (f) Funding adjustments:

The Organization receives grants from the Champlain Local Health Integration Network ("LHIN"), Ontario Ministry of Health/Ministry of Long-Term Care ("MOH" and "MOLTC") for specific services. Should any amounts be repayable, the funding adjustment would be charged to operations in the period in which it is determined to be payable. Should programs and activities incur a deficit, the Organization records any recoveries thereon in the period in which collection is received.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 1. Significant accounting policies (continued):

### (g) Financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred revenue and long-term debt.

### (h) Use of estimates:

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Amounts affected by significant estimates include allowance for uncollectible accounts receivable, and estimated useful lives of capital assets.

## 2. Accounts receivable:

	2020	2019
Deep River District Hospital Foundation	\$ 37,316	\$ 83,464
Deep River and District Physiotherapy Centre	211,801	176,995
Insurers, patients and other	1,119,634	1,051,944
	1,368,751	1,312,403
Less allowance for doubtful accounts	(312,827)	(437,750)
	\$ 1,055,924	\$ 874,653

## 3. Other receivables:

Amounts included within other receivables are advances to two physicians for recruitment purposes. The advances are non-interest bearing with no specified terms of repayment.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 4. Capital assets:

2020	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1	—	1
Land improvements	186,304	165,960	20,344
Buildings	9,404,876	4,535,058	4,869,818
Equipment	6,401,286	5,069,121	1,332,165
	<u>\$ 15,992,467</u>	<u>9,770,139</u>	<u>6,222,328</u>

2019	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1	—	1
Land improvements	186,304	157,473	28,831
Buildings	8,538,836	4,274,377	4,264,459
Equipment	5,622,249	4,862,960	759,289
	<u>\$ 14,347,390</u>	<u>9,294,810</u>	<u>5,052,580</u>

Land was purchased for a nominal value of \$1 from the Town of Deep River in 1974.

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$87,473 (2019 - \$97,307), which include amounts for payroll related matters.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 6. Long-term debt:

	2020	2019
The terms of the arrangement require principal monthly blended repayments of \$2,852 at an interest rate of 3.73%. In accordance with a renegotiated credit facility with Scotiabank, effective June 28, 2020, principal repayments will change to \$2,216 plus interest at a revised interest rate of prime + 0.25% maturing June 28, 2021	\$ 428,673	\$ 446,415
Less: current portion of long-term debt	(25,289)	(446,415)
	\$ 403,384	\$ —

The loan for solar project is secured by an assignment of the Ontario Power Authority (OPA) Feed In-Tariff Program (FIT) annual incentive.

Principal repayments required on long-term debt are as follows:

2021	\$ 25,289
2022	403,384

## 7. Deferred capital contributions:

	2020	2019
Balance, beginning of year	\$ 3,616,137	\$ 3,118,641
Contributions received	1,426,987	934,459
	5,043,124	4,053,100
Less: amounts amortized to revenue	(441,233)	(436,963)
Balance, end of year	\$ 4,601,891	\$ 3,616,137

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 8. Specifically funded programs:

		Four Seasons Lodge	Family Health Team	2020
Ministry of Health/Ministry of Long-Term Care	\$	953,046	2,063,535	\$ 3,016,581
Resident revenue		336,359	–	336,359
Amortization of deferred contributions		21,506	979	22,485
Other income and recoveries		1,512	8,075	9,587
		1,312,423	2,072,589	3,385,012
Salaries, wages and employee benefits		1,108,260	909,622	2,017,882
Medical staff remuneration		12,120	840,275	852,395
Medical and surgical supplies		27,109	45,406	72,515
Other supplies and expenses		245,237	269,225	514,462
Amortization of building and equipment		34,803	–	34,803
		1,427,529	2,064,528	3,492,057

		Four Seasons Lodge	Family Health Team	2019
Ministry of Health/Ministry of Long-Term Care	\$	901,692	1,946,492	\$ 2,848,184
Resident revenue		329,318	–	329,318
Amortization of deferred contributions		5,920	14,680	20,600
Other income and recoveries		14,130	319	14,449
		1,251,060	1,961,491	3,212,551
Salaries, wages and employee benefits		1,062,316	856,787	1,919,103
Medical staff remuneration		12,120	849,647	861,767
Medical and surgical supplies		29,250	19,152	48,402
Other supplies and expenses		231,356	231,078	462,434
Amortization of building and equipment		35,028	–	35,028
		1,370,070	1,956,664	3,326,734

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 9. Change in non-cash working capital items:

	2020	2019
Decrease (increase) in accounts receivable	\$ (70,146)	\$ 578,606
Decrease (increase) in inventory	(1,968)	1,052
Decrease (increase) in prepaid expenses	10,009	(20,516)
Increase (decrease) in accounts payable and accrued liabilities	748,354	(601,601)
Increase in deferred revenue	13,764	30,000
	\$ 700,013	\$ (12,459)

## 10. Commitments and contingencies:

### (a) Legal matters and litigation:

The Organization is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

### (b) Employment matters:

During the normal course of operation, the Organization is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

### (c) HealthCare Insurance Reciprocal of Canada:

The Organization is a member of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2020, no assessments have been received by the Organization.

## 11. Pension plan:

All full-time and certain part-time employees of the Organization are members of the Healthcare of Ontario Pension Plan, which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members receive benefits based on the length of service and on the average annualize earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing assets in trust and through the plan investment policy.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 11. Pension plan (continued):

Pension expense is based on Plan managements' best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

The most recent actuarial valuation filed with pension regulators as at December 31, 2019 indicated an actuarial surplus of \$20.55 billion. The Organization made contributions to the Ontario Pension Plan for the year ending March 31, 2020 of \$477,273 (2019 - \$450,595) which are included as an expenditure in the statement of operations.

## 12. Related entities:

- (a) The objective of the Deep River and District Hospital Auxiliary is to raise and receive funds to be distributed towards various programs and capital projects of the Organization. The Auxiliary is a non-profit organization created under the laws of Ontario and is a registered charity under the Income Tax Act.
- (b) The Deep River and District Hospital Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Organization. The Foundation is a non-profit organization incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act.

Included in deferred contributions relating to capital assets are donations from the Deep River and District Hospital Foundation in the amount of \$600,000 (2019 - \$39,000).

Included in other income and recoveries are administrative fees charged to the Deep River and District Hospital Foundation in the amount of \$25,000 (2019 - \$25,000).

Included in accounts receivable is an amount of \$Nil (2019 - \$39,000) relating to a pledge receivable for capital asset purchases and \$37,316 (2019 - \$44,464) relating to administrative fees and expense recoveries.

- (c) The Deep River and District Physiotherapy Centre was established to provide Physiotherapy services to the community. The Deep River and District Physiotherapy Centre is a nonprofit organization incorporated under the Ontario Corporations Act.

Included in salaries, wages and employee benefits expense is purchased physiotherapy services from the Deep River and District Physiotherapy Centre in the amount of \$35,922 (2019 - \$35,922).

Included in accounts receivable is an amount to the Physiotherapy Centre of \$211,801 (2019 - \$ 176,995) relating to administrative fees and expense recoveries.

## 13. Demand line of credit:

The Organization has an unutilized demand operating line of credit with the Bank of Nova Scotia authorized to a maximum of \$500,000, which bears interest at the bank's prime lending rate. The line of credit is secured by a general security agreement. As of March 31, 2020 there was \$Nil drawn on this line of credit.



# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 14. Financial risks and concentration of risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable and other investments.

The Organization 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 Organization at March 31, 2020 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

There have been no significant changes to the credit risk exposure from 2019.

### (b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

There have been no significant changes to the liquidity risk exposure from 2019.

### (c) Currency risk:

There have been no significant changes to the currency risk exposure from 2019.

### (d) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Organization is exposed to this risk through its long-term debt.

The Organization has minimal interest rate exposure on its long-term debt.

There have been no significant changes to the interest rate risk exposure from 2019.

## 15. Comparative information:

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year earnings.

# DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 16. 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.

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 Hospital incurred COVID-related expenses of \$32,605. These amounts have been recorded in salaries, wages and benefits and other supplies and expenses in the statement of operations.

### 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.

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

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.