

**SOUTH HURON HOSPITAL ASSOCIATION  
FINANCIAL STATEMENTS  
MARCH 31, 2019**

**SEEBACH & COMPANY**  
*Chartered Professional Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

---

To the Board of Governors and Members of the South Huron Hospital Association

### *Opinion*

We have audited the accompanying financial statements of the South Huron Hospital Association ("the Hospital"), which are comprised of the balance sheet as at March 31, 2019 and the operating fund statement of revenue and expenses, statement of rereasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

### *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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 PSAB, 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.

### *Auditor's 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 auditor's 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 these financial statements.

Seebach & Company  
Chartered Professional Accountants

P.O. Box 758  
41 Ontario Street  
CLINTON, ONTARIO N0M 1L0  
Tel:(519) 482-7979  
Fax:(519) 482-5761  
vbs@vbsca.ca

## INDEPENDENT AUDITOR'S REPORT (continued)

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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

*Seebach & Company*

Chartered Professional Accountants  
Licensed Public Accountants

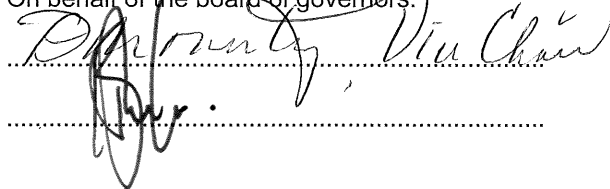
Clinton, Ontario  
May 15, 2019

**SOUTH HURON HOSPITAL ASSOCIATION  
BALANCE SHEET**

See Accompanying Notes to Financial Statements

As at March 31	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	929,467	1,399,947
Short term investments (note 3)	28,324	20,661
Accounts receivable (note 2)	278,603	394,035
Inventories	84,237	89,957
Prepaid expenses	100,301	98,392
Due from South Huron Hospital Foundation (note 9)	94,046	874,427
	<u>1,514,978</u>	<u>2,877,419</u>
<b>Long term investments (note 3)</b>	<u>3,157,121</u>	<u>3,000,685</u>
<b>Capital assets</b>		
Capital assets, net book value (note 4)	<u>6,110,869</u>	<u>5,975,865</u>
	<u>\$ 10,782,968</u>	<u>\$ 11,853,969</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,165,359	2,275,127
Employee future benefits (note 7)	71,000	121,100
Deferred revenue (note 5)	636,987	651,054
	<u>1,873,346</u>	<u>3,047,281</u>
<b>Long term liabilities</b>		
Employee future benefits (note 7)	805,500	736,400
Deferred revenue (note 5)	5,034,310	5,006,157
	<u>7,713,156</u>	<u>8,789,838</u>
<b>Net assets</b>		
Invested in capital assets	439,572	318,654
Unrestricted - committed (note 10)	635,366	688,500
Unrestricted - uncommitted	1,818,535	1,871,360
	<u>2,893,473</u>	<u>2,878,514</u>
Accumulated remeasurement gains (losses)	176,339	185,617
	<u>3,069,812</u>	<u>3,064,131</u>
	<u>\$ 10,782,968</u>	<u>\$ 11,853,969</u>

On behalf of the board of governors:

  
.....  
.....

**SOUTH HURON HOSPITAL ASSOCIATION  
OPERATING FUND STATEMENT OF REVENUE AND EXPENSES**

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2019	2018
<b>Revenue</b>		
Local Health Integration Network / Ministry of Health		
- Base Funding	7,695,827	7,544,927
- One Time Funding	43,916	-
- HOCC Funding	106,196	106,196
- Paymaster Funding	216,877	168,695
- Other Votes	3,300	3,300
Recoveries and miscellaneous	534,332	521,868
Amortization of deferred grants and donations - equipment	709,054	437,131
OHIP and patient revenue	2,338,497	2,327,372
Differential and copayment revenue	159,619	55,200
	<u>11,807,618</u>	<u>11,164,689</u>
<b>Expenses</b>		
Salaries, wages and purchased services	5,353,910	5,037,504
Medical staff services remuneration	1,920,448	1,923,682
Employee benefits	1,675,207	1,640,174
Supplies and other expenses	2,041,279	1,885,044
Medical and surgical supplies	139,224	144,537
Drugs and medical gases	169,025	149,852
Bad debts	8,688	6,734
Other votes - property taxes	3,300	3,300
Depreciation - equipment	425,964	284,409
	<u>11,737,045</u>	<u>11,075,236</u>
<b>Excess (deficiency) of Revenue over Expenses from Hospital Operations</b>	<b>\$ 70,573</b>	<b>\$ 89,453</b>
Amortization of deferred grants and donations - building	261,802	203,115
Depreciation - building and building service equipment	<u>(317,416)</u>	<u>(247,637)</u>
<b>Excess (deficiency) of Revenue over Expenses for the year</b>	<b><u>\$ 14,959</u></b>	<b><u>\$ 44,931</u></b>

**SOUTH HURON HOSPITAL ASSOCIATION  
STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2019	2018
Accumulated remeasurement gains (losses), beginning of year	185,617	165,754
Unrealized holding gains (losses) attributable to investments	<u>(9,278)</u>	<u>19,863</u>
<b>Accumulated remeasurement gains (losses), end of year</b>	<b><u>\$ 176,339</u></b>	<b><u>\$ 185,617</u></b>

**SOUTH HURON HOSPITAL ASSOCIATION  
OPERATING FUND STATEMENT OF CASH FLOWS**

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2019	2018
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	14,959	44,931
Items not requiring (not providing) cash		
Depreciation	743,380	532,046
Working capital provided from operations	<u>758,339</u>	<u>576,977</u>
Cash provided from (used for) changes in operational balances		
Accounts receivable	115,432	(53,506)
Inventory	5,720	(459)
Prepaid expenses	(1,909)	(9,531)
Accounts payable and accrued liabilities	(1,109,768)	1,116,510
Employee future benefits	19,000	61,600
Deferred revenue	14,086	2,375,693
Due to/from South Huron Hospital Foundation	780,381	(630,445)
Cash provided from (used for) operating activities	<u>581,281</u>	<u>3,436,839</u>
<b>Capital activities</b>		
Net disposals (purchases) of capital assets	<u>(878,384)</u>	<u>(2,589,060)</u>
	<u>(878,384)</u>	<u>(2,589,060)</u>
<b>Financing and investing activities</b>		
Net investment sales (purchases)	<u>(165,714)</u>	<u>(103,427)</u>
	<u>(165,714)</u>	<u>(103,427)</u>
<b>Increase (decrease) in cash</b>	<b>(462,817)</b>	<b>744,352</b>
<b>Cash and short term investments, beginning of year</b>	<b><u>1,420,608</u></b>	<b><u>676,256</u></b>
<b>Cash and short term investments, end of year</b>	<b><u>\$ 957,791</u></b>	<b><u>\$ 1,420,608</u></b>

**SOUTH HURON HOSPITAL ASSOCIATION**  
**STATEMENT OF CHANGES IN NET ASSETS**

See Accompanying Notes to Financial Statements

For the Year Ended March 31				2019	2018
	Invested in Capital Assets	Unrestricted - Committed	Unrestricted - Uncommitted	Total	Total
<b>Balance, beginning of year</b>	318,654	688,500	1,871,360	<b>2,878,514</b>	2,833,583
Excess (deficiency) of revenues over expenses	(743,380)		758,339	<b>14,959</b>	44,931
Net change in investment in capital assets	864,298		(864,298)	-	-
Interfund transfers		(53,134)	53,134	-	-
<b>Balance, end of year</b>	<u>439,572</u>	<u>635,366</u>	<u>1,818,535</u>	<b><u>\$ 2,893,473</u></b>	<u>\$ 2,878,514</u>

# SOUTH HURON HOSPITAL ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

### 1. Significant accounting policies

#### Nature of organization

The South Huron Hospital Association ("Hospital") is principally involved in providing health care services to the residents of the South Huron and surrounding municipalities. The Hospital is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada).

#### Basis of presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

#### Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health. 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.

#### Contributed services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

#### Inventories

Inventories are valued at the lower of cost and net realizable value.

#### Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the hospital'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:

Land improvements	10 - 20 years
Buildings	50 years
Building service equipment	20 - 25 years
Equipment	3 - 25 years

#### Vacation pay

Vacation pay is accrued for all employees as entitlements to these payments is earned.

#### Deferred building and equipment grants

Provincial and municipal building and equipment grants and donations received by the hospital are deferred and amortized on a straight-line basis at a rate corresponding with the depreciation rate for the related building or equipment.

#### Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.



**SOUTH HURON HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**For the Year Ended March 31, 2019**

**1. Significant accounting policies (continued)**

**Investments**

The Hospital has classified all stocks, bonds and other investment securities as available-for-sale which are carried at fair value. Bank guaranteed investment certificates are classified as held-to-maturity and are carried at cost. A write down of the carrying amount of held-to-maturity investments is charged against income when evidence indicates a permanent decline in the underlying value and earning power of an investment. Gains and losses on disposal of held-to-maturity investments are determined on a completed transaction basis.

**2. Accounts receivable**

	<b>2019</b>	<b>2018</b>
Ministry of Health	115,171	120,164
Insurers and patients	20,622	21,285
Other	<u>142,810</u>	<u>252,586</u>
	<u>\$ 278,603</u>	<u>\$ 394,035</u>

**3. Investments**

The Hospital's investments are recorded at market value, as per the investment statements provided by the holding institution for the period March 31, 2019.

	<b>2019</b>	<b>2018</b>
Short-term		
Cash in investment account	<u>28,324</u>	<u>20,661</u>
Long-term		
Common shares	211,238	198,253
Mutual funds	<u>2,945,883</u>	<u>2,802,432</u>
	<u>3,157,121</u>	<u>3,000,685</u>
	<u>\$ 3,185,445</u>	<u>\$ 3,021,346</u>

The cost of the investments as of March 31, 2019 was \$3,009,106 (cost March 31, 2018: \$2,835,729).

**4. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value 2019</b>	<b>Net Book Value 2018</b>
Land	249,131	-	249,131	249,131
Land improvements	271,713	213,947	57,766	52,992
Buildings	8,042,549	4,125,289	3,917,260	3,746,321
Major equipment	<u>6,109,084</u>	<u>4,222,372</u>	<u>1,886,712</u>	<u>1,927,421</u>
	<u>\$ 14,672,477</u>	<u>\$ 8,561,608</u>	<u>\$ 6,110,869</u>	<u>\$ 5,975,865</u>

**5. Deferred revenues**

	<b>2019</b>	<b>2018</b>
Deferred grants from Ministry of Health	3,525,098	3,404,092
Deferred donations	2,146,199	2,253,119
Other	-	-
	<u>\$ 5,671,297</u>	<u>\$ 5,657,211</u>

**SOUTH HURON HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

---

**For the Year Ended March 31, 2019**

---

**6. Pension plan**

Full-time and part-time employees of the hospital may be eligible to be members of the Hospitals of Ontario Pension Plan 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 \$423,947 (2018: \$395,316). These amounts are included in expenses in the operating fund statement of revenue and expenses and fund balance.

**7. Employee future benefits**

The Hospital accrues its obligations under employee benefit plans and the related costs. The Hospital has adopted the policy that the cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

The Hospital provides extended health care, dental and life insurance benefits to substantially all full-time employees.

At March 31, 2019, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$876,500 (2018: \$857,500).

**8. Financial instruments**

The Hospital's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable. It is management's opinion that the Hospital is not exposed to significant interest and credit risks arising from these financial instruments. The fair value of the financial instruments approximates their carrying amount.

**9. Disclosure of economic interest**

The South Huron Hospital Foundation (the "Foundation") is incorporated without share capital under the laws of the Province of Ontario and is a registered foundation under the Income Tax Act (Canada). The Foundation was established to receive and maintain a fund or funds and to apply from time to time all or part thereof for charitable purposes carried on by, in connection with, in relation to, for the benefit of or to enhance or improve the health care services in the area serviced by the South Huron Hospital and to do all such things as are incidental or conducive to the attainment of these objectives. The Foundation is managed and controlled independent of the Hospital.

During the year ended March 31, 2019, the Foundation provided donations totalling \$368,941 (2018: \$1,165,540) to the Hospital.

**10. Commitments on unrestricted net assets**

During the year, the Board of Directors committed \$635,366 (2018: \$688,500) of unrestricted net assets for specific capital development. These internally committed amounts are not available for other purposes without approval by the Board of Directors.

**SOUTH HURON HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

---

**For the Year Ended March 31, 2019**

---

**11. Financial risks and concentration of credit risks**

**Credit risk**

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable.

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, 2019 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 operating fund statement of revenue and expenses. Subsequent recoveries of impairment losses related to accounts receivable are credited to the operating fund statement of revenue and expenses. The balance of the allowance for doubtful accounts at March 31, 2019 is \$2,383 (2018: \$4,607).

There have been no significant changes to the credit risk exposure from 2018.

**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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2018.

**Market risk**

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

**Interest rate risk**

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

There has been no change to the interest rate risk exposure from 2018.

