

Financial Statements of

SAULT AREA HOSPITAL

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDENT AUDITORS' REPORT

To the Members of Sault Area Hospital

Opinion

We have audited the financial statements of Sault Area Hospital (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in deficiency in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2021 and its results of operations, 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 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Hospital to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
June 18, 2021

SAULT AREA HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020

(in thousands of Canadian dollars)	2021	2020
Assets		
Current assets:		
Cash	\$ 12,977	\$ 10,068
Accounts receivable (note 2)	30,165	11,734
Inventories	2,902	2,008
Prepaid expenses	2,583	1,081
Current portion of capital funding receivable (note 3)	4,500	4,166
	53,127	29,057
Long-term assets:		
Interest rate swap	344	-
Capital funding receivable (note 3)	192,748	197,248
	193,092	197,248
Capital assets (note 4)	270,374	279,977
	\$ 516,593	\$ 506,282
Liabilities, Deferred Capital Contributions and Deficiency in Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 45,368	\$ 41,331
Construction credit facility	-	7,460
Current portion of long-term obligations (note 7)	6,735	4,603
	52,103	53,394
Deferred capital contributions (note 8)	280,308	287,838
Long-term obligations:		
Long-term obligations (note 7)	210,790	198,917
Employee future benefits (note 9)	9,303	8,719
	220,093	207,636
Total liabilities	552,504	548,868
Net assets (deficiency):		
Investment in capital assets (note 10)	(30,211)	(17,427)
Unrestricted deficiency	(6,044)	(25,159)
	(36,255)	(42,586)
Accumulated remeasurement gains	344	-
	(35,911)	(42,586)
Contingencies (note 13)		
Commitments (note 14)		
COVID-19 impacts (note 19)		
	\$ 516,593	\$ 506,282

See accompanying notes to the financial statements.

On behalf of the Board:



Director

Sharon Kirkpatrick
Chair SAH Board of Directors



Director

Wendy Hansson
President and CEO

SAULT AREA HOSPITAL

Statement of Operations

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

(in thousands of Canadian dollars)	2021	2020
Revenue:		
Ministry of Health:		
Ontario Health North based allocation	\$ 160,456	\$ 158,684
Ministry of Health pandemic funding (note 17)	23,782	-
One-time hospital grants	7,281	6,981
Cancer Care Ontario funding	15,851	16,466
	<u>207,370</u>	<u>182,131</u>
Other revenue:		
Patient revenue	9,550	10,150
Differential and co-payment	889	1,887
Recoveries and miscellaneous	15,352	17,565
Amortization of deferred capital contributions - equipment	3,452	3,273
	<u>236,613</u>	<u>215,006</u>
Expenses:		
Compensation and benefits	148,035	133,152
Supplies and other	35,498	28,756
Drugs and medical gases	19,389	18,554
Medical staff remuneration	19,026	15,860
Medical and surgical supplies	13,169	12,730
Amortization of capital assets - equipment	5,237	4,435
Rental and lease of equipment	333	441
Interest	192	113
Bad debts	151	270
	<u>241,030</u>	<u>214,311</u>
(Deficiency) excess of revenue over expenses from Hospital operations	(4,417)	695
Interest and amortization of building and service equipment and deferred contributions:		
Recovery of interest and other costs on long-term obligation	16,439	16,646
Interest and other costs on long-term obligation	(16,439)	(16,799)
Amortization of deferred capital contributions	6,535	6,226
Amortization of building and service equipment	(7,956)	(7,956)
Deficiency of revenues over expenses before undernoted	(5,838)	(1,188)
Working capital relief funding (note 18)	12,169	-
Excess (deficiency) of revenue over expenses	\$ 6,331	\$ (1,188)

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL

Statement of Changes in Deficiency in Net Assets

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

	2021			2020
	Investment in capital assets	Unrestricted	Total	Total
Deficiency in net assets, beginning of year	\$ (17,427)	(25,159)	(42,586)	(41,398)
Excess (deficiency) of revenue over expenses (note 10)	(3,206)	9,537	6,331	(1,188)
Change in investment in capital assets (note 10)	(9,578)	9,578	-	-
Deficiency in net assets, end of year	\$ (30,211)	(6,044)	(36,255)	(42,586)

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL

Statement of Cash Flows

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

(in thousands of Canadian dollars)	2021	2020
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 6,331	\$ (1,188)
Items not involving cash:		
Amortization of capital assets	13,193	12,391
Amortization of deferred capital contributions	(9,987)	(9,499)
Loss on disposal of capital assets	-	12
	<u>9,537</u>	<u>1,716</u>
Changes in non-cash working capital:		
Accounts receivable	(18,431)	(3,416)
Inventories	(894)	(313)
Prepaid expenses	(1,502)	(67)
Accounts payable and accrued liabilities	4,037	(4,931)
Accrual for employee future benefits	584	140
	<u>(6,669)</u>	<u>(6,871)</u>
Cash flows from capital activities:		
Purchase of capital assets	(3,590)	(8,174)
Receipt of deferred capital contributions	2,457	3,796
	<u>(1,133)</u>	<u>(4,378)</u>
Cash flows from financing activities:		
Decrease in construction credit facility	(7,460)	-
Additions to long-term obligations	20,000	690
Receipt of capital funding receivable	4,166	3,857
Principal payments on long-term obligations	(5,995)	(4,407)
	<u>10,711</u>	<u>140</u>
Increase (decrease) increase in cash position	2,909	(11,109)
Cash, beginning of year	10,068	21,177
Cash, end of year	<u>\$ 12,977</u>	<u>\$ 10,068</u>

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL

Statement of Remeasurement Gains

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

(in thousands of Canadian dollars)		2021		2020
Remeasurement gains, beginning of year	\$	-	\$	-
Unrealized gains attributable to:				
Derivative - interest rate swap		344		-
Remeasurement gains, end of year	\$	344	\$	-

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

Sault Area Hospital (the "Hospital") was incorporated by amended letters patent under the Ontario Business Corporations Act on April 26, 2003.

The Hospital is principally involved in providing health care services to Sault Ste. Marie and the surrounding area. The Hospital is a registered charity under the Income Tax Act and as a result is exempt from income taxes under section 149 of the Income Tax Act.

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

The Hospital is primarily funded by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "MOH") and Ontario Health North ("OHN").

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. These financial statements reflect arrangements with the MOH with respect to the year ended March 31, 2021.

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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets, including restricted cash, 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 the insurance plans, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided, the amounts can be reasonably estimated and collection is reasonably assured.

b) Inventories:

Inventories are recorded at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs incurred in bringing the inventories to their present location and condition.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

1. Significant accounting policies (continued):

c) Capital assets:

Capital assets are recorded at cost. Assets are amortized on a straight line basis over their estimated useful lives:

Building and improvements	20 – 40 years
Building service equipment	10 – 20 years
Equipment	3 – 20 years
Computer equipment	3 – 5 years
Computer software	10 – 15 years

Tangible capital assets that are not subject to amortization and received as restricted contributions are recorded at their fair value as a direct increase in net assets at the date of receipt.

Construction in progress is not amortized until construction is complete and the facilities are placed into use.

d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

e) Employee future benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs

Actuarial gains (losses) on the accrued benefit obligation arise from changes in 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 employee benefit plan is 15.7 years.

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

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

1. Significant accounting policies (continued):

f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation of receivables, inventories; and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year in which they are known.

g) 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. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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

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 debt is recorded at cost.

h) Funding adjustments:

The Hospital receives grants from the MOH, OHN and Cancer Care Ontario ("CCO") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOH, OHN or CCO is entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

2. Accounts receivable:

	2021	2020
Ontario Health North / Ministry of Health	\$ 21,970	\$ 1,641
Other Hospitals related to the HIS project	3,368	3,109
Other	1,967	2,052
Patients and clients	1,461	2,306
Cancer Care Ontario	761	1,690
Canada Revenue Agency	667	984
	30,194	11,782
Less: allowance for doubtful accounts	(29)	(48)
	\$ 30,165	\$ 11,734

3. Capital funding receivable:

	2021	2020
Capital project funding	\$ 197,248	\$ 201,414
Current portion of capital funding	(4,500)	(4,166)
	\$ 192,748	\$ 197,248

The Hospital has recorded a long-term receivable relating to funding from the MOH relating to the construction of the new Sault Area Hospital facility. The MOH has committed to fund the principal repayments relating to the construction obligation, which amounted to \$205,271 at March 31, 2019. The funding receivable is recorded at the net present value of MOH grants to be received monthly, with the last monthly grant to be received in October 2040. The net present value is calculated using the effective interest rate method and a discount rate of 7.74%, which is the rate used for the related long-term obligation. Information concerning the long-term obligation relating to the Sault Area Hospital facility is included in note 7.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

4. Capital assets:

2021	Cost	Accumulated Amortization	Net book Value
Land	\$ 1,901	\$ –	\$ 1,901
Building	317,865	79,853	238,012
Building improvements	6	5	1
Building service equipment	31	31	–
Equipment	60,800	47,145	13,655
Computer software	21,388	4,880	16,508
Computer equipment	3,031	3,031	–
Construction in progress	297	–	297
	<u>\$ 405,319</u>	<u>\$ 134,945</u>	<u>\$ 270,374</u>

2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 1,901	\$ –	\$ 1,901
Building	317,865	71,896	245,969
Building improvements	6	5	1
Building service equipment	31	31	–
Equipment	57,541	42,291	15,250
Computer software	21,381	4,834	16,547
Computer equipment	3,031	2,856	175
Construction in progress	134	–	134
	<u>\$ 401,890</u>	<u>\$ 121,913</u>	<u>\$ 279,977</u>

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2021	2020
Accrued liabilities	\$ 16,118	\$ 12,834
Salaries and deductions payable	8,711	9,031
Accrued vacation and sick time payable	8,421	7,872
Other liabilities	8,038	6,225
Trade payables	4,080	5,369
	<hr/>	<hr/>
	\$ 45,368	\$ 41,331

Included in salary and deductions payable are \$374 (2020 – \$338) relating to government remittances.

6. Operating credit facility:

The operating credit facility is authorized to a maximum of \$15,000 (2020 – \$15,000), is repayable on demand, has interest calculated at bank prime minus 0.85% and is secured by a borrowing resolution. At March 31, 2021, the Hospital had \$15,000 (2020 – \$15,000) available on this credit facility.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

7. Long-term obligations:

	2021	2020
Hospital Obligation, due October 13, 2040, monthly payments of \$1,633 including principal and interest at 7.74% secured by the Hospital Development Agreement	\$ 197,248	\$ 201,414
Term loan, due June 30, 2030, interest at 1.69%, payable \$181 monthly including interest (a)	18,606	–
Term loan, due March 27, 2030 interest at 2.78%, payable \$3 monthly including interest	312	342
Term loan, due October 30, 2029, interest at 2.63%, payable \$3 monthly including interest	304	335
Term loan, due August 1, 2028 interest at 3.17%, payable \$6 monthly including interest	499	558
Term loan, due March 28, 2026, interest at 2.49%, payable \$7 monthly including interest	394	465
Term loan, due March 6, 2022 interest at 1.87%, payable \$14 monthly including interest	162	320
Term loan, matured December 11, 2020, interest at 1.87%, payable \$10 monthly including interest	–	86
	217,525	203,520
Current portion of long-term obligations	(6,735)	(4,603)
	\$ 210,790	\$ 198,917

The term loans and single draw credit facility are secured by a borrowing resolution.

The Hospital has an available \$2,000 term facility which is not drawn upon at March 31, 2021 (2020 – \$Nil). The Hospital can access this facility with multiple draws which are repayable quarterly after each draw over a period of four years. Interest can be at a fixed rate or variable rate at the time of the draw. The facility is secured by a borrowing resolution.

The Hospital also has a revolving, multi-draw credit facility authorized to a maximum of \$17,000 (2020 – \$7,000). Each draw from this facility is repayable 5 years from the date of the drawdown, has interest as prime minus 0.25% and is secured by a borrowing resolution. At March 31, 2021, 5 draws were outstanding against this facility totaling \$1,671 (2020 – \$2,106).

(a) The Hospital has entered into an interest rate derivative agreement to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swap is an asset of \$344 (2020 – \$nil) and has been determined using Level 3 of the fair value hierarchy. The related derivative agreement is in place until the maturity of the debt.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

7. Long-term obligations (continued):

Principal due on the long-term debt is as follows:

2022	\$	6,735
2023		6,971
2024		7,399
2025		7,859
2026		8,353
Thereafter		180,208
	\$	217,525

Hospital Obligation:

The financial statements reflect an obligation associated with the construction of the hospital which will be fully extinguished in October 2040. On August 7, 2007, the Hospital entered into a Development Accountability Agreement with the MOH to support the implementation of the Sault Area Hospital Project. The funding of the total construction costs and related obligation are shared between the MOH at approximately 90% and the Hospital at approximately 10%. The Hospital paid its full obligation at substantial completion in October 2010 and the MOH's obligation, consisting of principal and interest, is to be paid annually and matures in October 2040. Annual funding from the MOH is conditional upon an appropriation of funds by the Legislature of Ontario in the fiscal year in which the payment becomes due.

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount received for the purchase of capital assets. The changes in the deferred contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 287,838	\$ 293,541
Contributions received during the year	2,457	3,796
Less: amounts recognized in revenue	(3,452)	(3,273)
Less: amounts amortized to revenue	(6,535)	(6,226)
Balance, end of year	\$ 280,308	\$ 287,838

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

9. Employee future benefits:

The Hospital provides extended health care, dental and semi-private benefits to certain employees. Information about the Hospital's benefit plan is as follows:

	2021	2020
Employee future benefit liability, beginning of year	\$ 8,719	\$ 8,579
Benefit costs	997	973
Benefit contributions	(413)	(833)
Employee future benefit liability, end of year	\$ 9,303	\$ 8,719

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

Discount rate	3.00%
Dental benefits cost escalation	2.75%
Medical benefits costs escalation - extended health care	4.50% - 6.00%

Included in compensation and benefits on the statement of operations, is an amount of \$584 (2020 – \$141) regarding employee future benefits and is comprised of:

	2021	2020
Current service cost	\$ 618	\$ 491
Interest cost	345	328
Amortization of actuarial losses	34	155
	997	974
Less: payments made	(413)	(833)
	\$ 584	\$ 141

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

10. Investment in capital assets:

Investment in capital assets is as follows:

	2021	2020
Capital assets	\$ 270,374	\$ 279,977
Plus: capital funding receivable	197,248	201,414
	467,622	481,391
Amounts financed by:		
Construction credit facility	–	(7,460)
Long-term obligations	(217,525)	(203,520)
Deferred capital contributions	(280,308)	(287,838)
	\$ (30,211)	\$ (17,427)

Change in net assets invested in capital assets is as follows:

	2021	2020
Excess of revenue over expenses:		
Amortization of deferred contributions - equipment	\$ 3,452	\$ 3,273
Amortization of deferred contributions - capital	6,535	6,226
Amortization of capital assets - equipment	(5,237)	(4,435)
Amortization of deferred capital contributions	(7,956)	(7,956)
Loss on disposal of capital assets	–	(12)
	(3,206)	(2,904)
Net change in investment in capital assets:		
Purchase of capital assets	3,590	8,174
Contributions received	(2,457)	(3,796)
Repayment of construction credit facility	7,460	–
Proceeds of long-term debt	(20,000)	(690)
Proceeds on long-term obligations	(4,166)	(3,857)
Principal payments on long-term obligations	5,995	4,407
	(9,578)	4,238
Net assets invested in capital assets:		
Balance, beginning of year	(17,427)	(18,761)
Balance, end of year	\$ (30,211)	\$ (17,427)

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

11. Pension plan:

Employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan. Contributions to the Plan made during the year on behalf of the employees amounted to \$8,571 (2020 – \$8,858) and are included in the statement of operations.

12. Economic interest:

The Hospital has an economic interest in the Sault Area Hospital Foundation. The Foundation was established to solicit funds on behalf of the Hospital. All of the Foundation's net assets must be provided to the Hospital or used for the Hospital's benefit. The Foundation has net assets totaling \$9,185 (2020 – \$6,083) for the benefit of the Hospital.

13. Contingencies:

(a) Legal matters and litigation:

The Hospital is involved in certain legal matters, litigation and disputes, 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.

(b) Employment matters:

During the normal course of operation, the Hospital 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.

14. Commitments:

Lifecycle and maintenance costs:

The Hospital signed an agreement with Hospital Infrastructure Partners (Sault), to build, maintain and finance the new Sault Area Hospital facility. Construction commenced in August 2007 with substantial completion on October 13, 2010 at which time the 30-year agreement commenced.

For the term of the agreement variable monthly payments in excess of \$300 will be paid to cover facility maintenance and various lifecycle costs. A portion of the payments are indexed and escalate as per the agreement.

The MOH has approved an annual grant to fund the lifecycle component of these payments, with funding for the MOH's share of the facility maintenance costs incorporated into the Health Centre's operating grants.

Physician Recruitment Program:

The Hospital participated in a physician recruitment program in partnership with the City of Sault Ste. Marie and the Group Health Centre. The net expenditure for the year represents the Hospital's contribution to administrative costs of this program.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

15. Other votes and other funding sources:

The Hospital administers a number of independent programs on behalf of the MOH and other agencies. These programs which provide separate and distinct funding for specific mandates and expenditures are limited to the amount of grant provided. Grants are recognized for specified levels of activity and any amounts to be returned to the Ministry are reflected in current liabilities. Expenditures in excess of the grants provided are the responsibility of the Hospital.

16. Financial risks and concentration of credit 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 Hospital is exposed to credit risk with respect to accounts receivable and other investments.

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, 2021 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 Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2021 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2020.

(b) 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.

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 2020.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

17. Ministry of Health pandemic funding:

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

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future changes to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

Funding for incremental COVID-19 operating expenses	\$	9,491
Broad-based funding reconciliation for other eligible costs and revenue losses		4,300
Pandemic pay funding		3,306
Funding for revenue losses resulting from COVID-19		2,477
Temporary physician funding		2,092
COVID-19 laboratory funding		1,065
COVID-19 assessment centre funding		1,051
	\$	23,782

In addition to the above, the Hospital has also recognized \$1,006 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

SAULT AREA HOSPITAL

Notes to Financial Statements
(in thousands of Canadian dollars)

Year ended March 31, 2021

18. Ministry of Health working capital funding:

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

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

19. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

20. 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 deficiency of revenue over expenses.

SAULT AREA HOSPITAL

Schedule of Operations

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

(in thousands of Canadian dollars)	Hospital Operations	Other Votes	Other Funded	Total 2021	Total 2020
Revenue:					
Ministry of Health:					
Ontario Health North based allocation	\$ 147,518	12,756	182	\$ 160,456	\$ 158,684
Ministry of Health pandemic funding	23,677	105	-	23,782	-
One-time hospital grants	7,278	-	3	7,281	6,981
Cancer Care Ontario funding	15,851	-	-	15,851	16,466
	194,324	12,861	185	207,370	182,131
Other revenue:					
Patient revenue	9,550	-	-	9,550	10,150
Differential and co-payment	889	-	-	889	1,887
Recoveries and miscellaneous	14,685	297	370	15,352	17,565
Amortization of deferred capital contributions - equipment	3,452	-	-	3,452	3,273
	222,900	13,158	555	236,613	215,006
Expenses:					
Compensation and benefits	138,341	9,247	447	148,035	133,152
Supplies and other	32,280	3,110	108	35,498	28,756
Drugs and medical gases	19,389	-	-	19,389	18,554
Medical staff remuneration	18,386	640	-	19,026	15,860
Medical and surgical supplies	13,058	111	-	13,169	12,730
Amortization of capital assets - equipment	5,235	2	-	5,237	4,435
Rental and lease of equipment	285	48	-	333	441
Bad debts	151	-	-	151	270
Interest	192	-	-	192	113
	227,317	13,158	555	241,030	214,311
(Deficiency) excess of revenue over expenses from Hospital operations	(4,417)	-	-	(4,417)	695
Interest and amortization of building and service equipment and deferred contributions:					
Recovery of interest on long-term obligation	16,439	-	-	16,439	16,646
Interest on long-term obligation	(16,439)	-	-	(16,439)	(16,799)
Amortization of deferred capital contributions	6,535	-	-	6,535	6,226
Amortization of building and service equipment	(7,956)	-	-	(7,956)	(7,956)
Deficiency of revenues over expenses before undernoted	(5,838)	-	-	(5,838)	(1,188)
Working capital relief funding	12,169	-	-	12,169	-
Excess (deficiency) of revenue over expenses	\$ 6,331	-	-	\$ 6,331	\$ (1,188)