

Mount St. Mary Hospital
(Owned and Operated by the Marie Esther Society)
Financial Statements
Year Ended March 31, 2020

Dusanj
+Wirk CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Marie Esther Society

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Mount St. Mary Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and accumulated surplus, changes in net financial debt, remeasurement gains and losses and cash flows for the year ended March 31, 2020 and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020 and the results of its operations and changes in net financial assets and cash flows for the year ended March 31, 2020 in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As described in Note 2 (a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. The quantitative impact of the departure is disclosed in Note 13.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a consistent basis.

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 controls 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 relating 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism through 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 financial statements, including the disclosures, and whether the 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.

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MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Financial Position

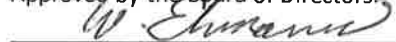
(Amounts expressed in thousands of dollars)

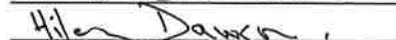
March 31, 2020, with comparative figures for March 31, 2019

	March 31, 2020 \$	March 31, 2019 \$
Financial assets		
Cash and cash equivalents (note 3)	1,245	2,147
Investments (note 4)	864	884
Restricted endowment investments (note 9)	-	118
Accounts receivable	114	170
	<u>2,223</u>	<u>3,319</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,344	1,105
Vacation payable	607	580
Employee future benefits (note 5)	1,363	1,336
Deferred operating contributions (note 6)	233	269
Deferred capital contributions (note 7)	19,016	19,821
	<u>22,563</u>	<u>23,111</u>
Net financial debt	<u>(20,340)</u>	<u>(19,792)</u>
Non-financial assets		
Tangible capital assets (note 8)	22,555	22,736
Inventories held for use	6	2
Prepaid expenses	49	70
Restricted endowment investments (note 9)	4,415	4,611
	<u>27,025</u>	<u>27,419</u>
Accumulated surplus	<u>6,685</u>	<u>7,627</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	7,455	7,908
Accumulated remeasurement (losses)	(770)	(281)
	<u>6,685</u>	<u>7,627</u>

Contingent liability (note 12)

Approved by the Board of Directors:

 Chair

 Board Member

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

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

	Budget \$ (note 2(g))	2020 \$	2019 \$
Revenues:			
Health Authority contributions	13,407	13,318	12,374
Patients, clients and residents	4,311	4,361	4,226
Amortization of deferred capital contributions (note 7)	1,170	1,142	1,142
Other revenue (note 10)	574	564	657
Other contributions	165	199	156
Investment income	100	38	92
	19,727	19,622	18,647
Expenses:			
Residential care (note 10)	18,708	18,935	17,580
Amortization	1,170	1,142	1,142
	19,878	20,077	18,722
Annual operating (deficit)	(151)	(455)	(75)
Accumulated operating surplus at beginning of year	7,908	7,908	7,983
Endowment principal contribution	-	2	-
Accumulated operating surplus at end of year	7,757	7,455	7,908

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Changes in Net Financial Debt
(Amounts expressed in thousands of dollars)

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

	Budget	2020	2019
	\$	\$	\$
	(note 2(g))		
Annual operating (deficit)	(151)	(455)	(75)
Acquisition of tangible capital assets	(815)	(961)	(728)
Amortization of tangible capital assets	1,170	1,142	1,142
	355	181	414
Acquisition of inventories held for use	(30)	(29)	(28)
Acquisition of prepaid expenses	(80)	(39)	(74)
Consumption of inventories held for use	30	25	27
Use of prepaid expenses	80	62	108
Decrease in restricted endowment investments	-	198	-
Restricted endowment contributions, earnings, and transfers	-	(2)	-
	-	215	33
Effect of net remeasurement (losses) for the year	(100)	(489)	(89)
(Increase) decrease in net financial debt	104	(548)	283
Net financial debt, beginning of year	(19,962)	(19,792)	(20,075)
Net financial debt, end of year	(19,858)	(20,340)	(19,792)

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

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

	2020	2019
	\$	\$
Accumulated remeasurement (losses), beginning of year	(281)	(192)
Unrealized (losses) attributable to:		
Portfolio investments	(110)	(75)
Endowment investments	(373)	(97)
Amounts reclassified to the statement of operations:		
Portfolio investments	(12)	36
Endowment investments	6	47
Net remeasurement (losses) for the year	(489)	(89)
Accumulated remeasurement (losses), end of year	(770)	(281)

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

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

	2020 \$	2019 \$
Cash flows (used in) operating activities:		
Annual operating deficit	(455)	(75)
Items not involving cash:		
Amortization of deferred capital contributions	(1,142)	(1,142)
Amortization of tangible capital assets	1,142	1,142
Retirement allowance expense	148	118
	(307)	43
Net change in non-cash operating items	155	253
Net change in cash from operating activities	(152)	296
Capital activities:		
Acquisition of tangible capital assets	(961)	(728)
Net change in cash from capital activities	(961)	(728)
Investing activities:		
(Purchase) of investments	(2)	(217)
Net change in cash from investing activities	(2)	(217)
Financing activities:		
Retirement allowance benefits paid	(126)	(119)
Capital contributions	337	371
Restricted endowment contributions	2	-
Net change in cash from financing activities	213	252
Increase in cash and cash equivalents	(902)	(397)
Cash and cash equivalents, beginning of year	2,147	2,544
Cash and cash equivalents, end of year	1,245	2,147

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

1. Purpose

Mount St. Mary Hospital (the "Hospital") is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. The Hospital was incorporated under the Society Act of British Columbia on October 19, 1990 as a not-for-profit organization and is a registered charity exempt from tax under the Income Tax Act.

2. Significant Accounting Policies

(a) Basis of accounting:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, except in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011 and as advised by the Office of the Comptroller General of British Columbia ("OCG").

(b) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The discount rate used to measure obligation is based on the cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

2. Significant Accounting Policies (continued)

(b) Employee benefits (continued):

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Hospital to pay benefits occurs.

(a) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Buildings	20 - 35 years
Furniture and equipment	5 – 10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(b) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Hospital is funded by the Island Health Authority in accordance with the service provider agreement established and approved by the Health Authority.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

2. Significant Accounting Policies (continued)

(d) Revenue recognition (continued):

Under the framework described in note 2(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met by the Hospital.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as restricted endowment contributions in the statement of operations for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

Volunteers contribute a significant amount of their time each year to assist the Hospital in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements. Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

(e) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

2. Significant Accounting Policies (continued)

(e) Measurement uncertainty (continued):

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, contingent liabilities, fair value of designated financial instruments, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(f) Financial instruments:

Upon inception and subsequent to initial recognition equity instruments quoted in an active market and any designated financial instruments are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial instruments measured at fair value are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3	Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down to reflect a loss in value is not reversed for a subsequent increase in value.

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

2. Significant Accounting Policies (continued)

(f) Financial instruments (continued):

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed. A financial liability or its part is derecognized when it is extinguished.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

ii. Portfolio investments

Portfolio investments include banker's acceptances, treasury bills, equities and bonds and are recorded at fair value. Transaction costs are recorded using the effective interest rate method.

iii. Other financial liabilities

The estimated fair market value of accrued vacation pay approximates its carrying value. The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

(g) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2019/2020 Budget approved by the Board of Directors on September 26, 2019 and published in the Hospital's Service Plan. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net financial assets (net debt).

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2020 \$	2019 \$
Cash	426	1,250
Short-term investments	819	897
	<u>1,245</u>	<u>2,147</u>

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

4. Investments

Investments are comprised of the following:

	2020	2019
	\$	\$
Equities	864	884

5. Employee Future Benefits

(a) Accrued sick and severance pay

Under the terms of the employer's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees has been estimated by independent actuarial valuation as at March 31, 2020, using an early measurement date of December 31, 2019.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2020 are as follows:

	2020	2019
	\$	\$
Accrued benefit obligation:		
Sick leave benefits	570	651
Severance benefits	733	823
Total unfunded obligation	1,303	1,474

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

5. Employee Future Benefits (continued)

(a) Accrued sick and severance pay (continued):

The accrued benefit obligation for the retirement allowance reported on the statement of financial position is as follows:

	2020 \$	2019 \$
Balance, beginning of year	1,336	1,335
Current service cost	99	96
Amortization	(3)	(25)
Interest expense	57	48
Net benefit expense	153	119
Benefits paid	(126)	(118)
Balance, end of year	1,363	1,336

The significant actuarial assumptions adopted in measuring the Hospital's accrued sick and severance liabilities are as follows:

	2020	2019
Accrued benefit obligation as at March 31:		
Discount rate	3.79%	4.01%
Rate of compensation increase	2.00%	2.00%
Benefit costs for the years ended March 31:		
Discount rate	4.01%	4.01%
Rate of compensation increase	2.00%	2.00%
Expected future inflationary increase	2.50%	2.50%

(b) Employee pension benefits

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the BC Public Sector Pension Plans Act. Employer contributions to the Municipal Pension Plan of \$904,213 (2019 - \$880,257) were expensed during the year.

(c) Employee healthcare benefits

The Hospital contributes to the Healthcare Benefit Trust and BC Health Services multi-employer plans for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for employees. Employer contributions to the Healthcare Benefit Trust of \$1,143,557 (2019 - \$1,058,000) and to BC Health Services of \$103,194 (2019 - \$99,097) were expensed during the year.

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

6. Deferred Operating Contributions

Deferred contributions represent unspent resources externally restricted for special programs. These programs include additional staff training to enhance resident care, pet therapy, gardens, pastoral care, resident activities, and one-time operating funding from the Health Authority deferred from the prior fiscal year. Changes in deferred contributions balance are as follows:

	2020 \$	2019 \$
Balance, beginning of year	269	152
Donations received	163	273
Amounts recognized as revenue in the year	(199)	(156)
Balance, end of year	233	269

7. Deferred Capital Contributions

Deferred capital contributions related to property and equipment represent the unamortized amount and unspent amount of grants and donations received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2020 \$	2019 \$
Balance, beginning of year	19,821	20,594
Capital funding	337	370
Amounts recognized as revenue in the year	(1,142)	(1,143)
Balance, end of year	19,016	19,821

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2020 \$	2019 \$
Unamortized capital contribution used to purchase:		
Property and equipment	18,815	18,996
Unspent contributions	201	825
Balance, end of year	19,016	19,821

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

8. Tangible Capital Assets

<u>Cost</u>	March 31, 2019	Additions	Disposals	March 31, 2020
	\$	\$	\$	\$
Land	3,740	-	-	3,740
Building	33,523	720	-	34,243
Equipment	5,480	241	-	5,721
	42,743	961	-	43,704

<u>Accumulated Amortization</u>	March 31, 2019	Amortization	Adjustment	March 31, 2020
	\$	\$	\$	\$
Building	15,204	1,011	-	16,215
Equipment	4,803	131	-	4,934
	20,007	1,142	-	21,149

<u>Net Book Value</u>	2020	2019
	\$	\$
Land	3,740	3,740
Building	18,028	18,319
Equipment	787	677
	22,555	22,736

9. Restricted Endowment Investments

Restricted endowment investments are comprised of the following:

	2020	2019
	\$	\$
Cash	62	182
Short-term investments	1,195	1,198
Fixed income	166	167
Equities	2,992	3,191
	4,415	4,738

MOUNT ST. MARY HOSPITAL
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Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

9. Restricted Endowment Investments (continued)

	2020 \$	2019 \$
Restricted Endowment Investments Available to spend	4,415	4,729
	-	(118)
Restricted Principle	4,415	4,611

At year end, the restricted principle of restricted endowment investments exceeded fair value by \$197,819.

10. Statement of Operations

Other revenue is comprised of the following:

	2020 \$	2019 \$
Cafeteria	121	114
Resident services	68	67
Parking fees	57	54
Community bathing	3	4
Wage recovery	132	161
Endowment revenue	127	194
Other	56	63
	564	657

Residential care is comprised of the following:

	2020 \$	2019 \$
Salaries, wages and benefits	15,837	14,623
Supplies	1,362	1,317
Laundry and other services	827	770
Pharmacy costs	422	403
Utilities	293	295
Sundry	126	139
Special Programs	68	32
	18,935	17,580

MOUNT ST. MARY HOSPITAL

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Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

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

11. Risk Management

The Hospital has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Hospital's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Hospital to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Hospital is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is not exposed to significant currency risks arising from its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is not exposed to significant interest rate risks arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Hospital's cash requirements. The Hospital is not exposed to significant liquidity risks arising from its financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Hospital is not exposed to significant other price risk.

12. Contingent Liability

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. Any outstanding claims at March 31, 2020 are not expected to have a material effect on the Hospital's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for in the financial statements based on management's best estimate of the ultimate settlement. No contingencies have been recorded in the year (2019: \$0).

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

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

13. Impact of Accounting for Restricted Contributions in Accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As disclosed in the significant accounting policies note 2, Restricted Contributions Regulation 198/2011 requires the Hospital to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible assets, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or developed and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Hospital is as follows:

For the year ended March 31, 2019	
Decrease in operating surplus	\$414
As at March 31, 2019	
Increase in accumulated operating surplus	\$18,996
Decrease in deferred capital contribution	\$18,996
For the year ended March 31, 2020	
Decrease in operating surplus	\$181
As at March 31, 2020	
Increase in accumulated operating surplus	\$18,815
Decrease in deferred capital contribution	\$18,815

14. The Victoria Foundation

The Hospital holds an endowment known as the "Mount St. Mary Hospital Fund" at the Victoria Foundation. The Hospital is the beneficiary of grants from the fund which are made from time to time according to the Foundation's distribution policy and following recommendations from the Hospital and approval of the Foundation's Board of Directors. The endowment is not reflected in the Hospital's assets on the statement of financial position. The fair market value of this endowment at March 31, 2020 is \$25,001 (2019 - \$27,658).

15. Residents' Trust Funds

	2020 \$	2019 \$
Residents' funds held in trust	69	74

The residents' funds held in trust are not included in the accompanying financial statements.

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Notes to the Financial Statements
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Year ended March 31, 2020, with comparative figures for 2019

16. Subsequent Events

The global economic impact arising from the COVID-19 pandemic may expose the hospital to economic and operational risks in the 2021 fiscal period. The impact on the hospital's operations is not readily determinable by management.

Further, as a result of the developing COVID-19 pandemic, global equity markets have experienced significant volatility and weakness. The investment portfolio of the Hospital has been subject to these market fluctuations and will continue to experience significant volatility as the solution evolves. As of September 15, 2020, the fair value of the Hospital's investments was \$5,827,817, which is an increase of approximately 10.39%.

The subsequent changes in the fair value of the Hospital's investments are not reflected in the financial statements as of March 31, 2020.

01