

MOUNT CARMEL CLINIC

Financial Statements
For the year ended March 31, 2020

MOUNT CARMEL CLINIC

Financial Statements For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of Mount Carmel Clinic

Opinion

We have audited the financial statements of **Mount Carmel Clinic** (the "Clinic"), which comprise the statement of financial position as at March 31, 2020, and the statement of operations, statement of changes in net assets and statement of 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 **Mount Carmel Clinic** as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Clinic 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Clinic'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 Clinic or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Clinic'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 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 Clinic'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 Clinic'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 Clinic 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 28, 2020

MOUNT CARMEL CLINIC
Statement of Financial Position

As at March 31	2020	2019
Assets		
Current Assets		
Cash and bank	\$ 1,355,252	\$ 1,532,217
Accounts receivable (Note 3)	208,065	371,686
Due from Mount Carmel Clinic Foundation	-	8,338
Due from WRHA (Note 4)	94,559	74,462
Inventories	71,829	59,114
Prepaid expenses	22,438	15,218
Vacation entitlements receivable (Note 5)	381,653	381,653
	2,133,796	2,442,688
Retirement obligation receivable (Note 16)	330,967	340,221
Capital assets (Note 6)	8,716,194	8,461,766
Total assets	\$ 11,180,957	\$ 11,244,675

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 446,079	\$ 805,554
Due to WRHA (Note 8)	899,514	738,995
Accrued vacation entitlements (Note 5)	505,060	462,588
Deferred revenue (Note 9)	358,302	381,757
Current portion of mortgage payable (Note 10)	22,262	18,475
	2,231,217	2,407,369
Mortgage payable (Note 10)	328,168	462,296
Accrued retirement obligations (Note 16)	598,836	611,143
	927,004	1,073,439
Deferred Contributions (Note 11)		
Expenses of future periods	113,100	106,100
Capital assets	5,061,832	4,911,283
	5,174,932	5,017,383
Total liabilities	8,333,153	8,498,191
Total net assets (Page 6)	2,847,804	2,746,484
	\$ 11,180,957	\$ 11,244,675

Approved on behalf of the Board of Directors:

Original document signed _____ Director

Original document signed _____ Director

MOUNT CARMEL CLINIC Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Amortization of deferred contributions	\$ 211,725	\$ 169,605
Dental fees	102,407	79,276
Donations	29,446	17,450
Grants		
Province of Manitoba	981,364	1,062,929
United Way of Winnipeg	184,810	145,363
Other sources	950,408	740,682
Investment income	29,739	19,727
Medical program	25,111	34,338
Other	164,764	255,970
Parent fees	72,707	79,815
Pharmacy sales	4,473,548	5,561,137
Winnipeg Regional Health Authority (Note 14)	8,158,269	7,579,743
	15,384,298	15,746,035
Expenses		
Amortization of capital assets	391,471	369,144
Bank charges	19,968	16,716
Charitable drug program	7,722	14,089
Drugs	4,062,557	4,533,022
Interest on debt	15,839	18,461
Maintenance and repairs	151,991	203,379
Office supplies and expenses	216,003	201,224
Other occupancy costs	203,916	182,756
Program supplies and other	1,445,263	1,511,047
Salaries and benefits	8,487,018	8,202,202
Travel, meetings and conferences	91,504	105,782
Utilities	202,033	216,358
	15,295,285	15,574,180
Excess of revenue over expenses for the year before other item	89,013	171,855
Other Item		
Decrease in accrued retirement obligations liability	12,307	58,518
Excess of revenue over expenses for the year	\$ 101,320	\$ 230,373

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31, 2020

	<u>Unrestricted</u>				<u>Internally Restricted</u>		2020 Total	2019 Total
	<u>Operating Fund</u>	<u>Day Care Fund</u>	<u>Donation Fund</u>	<u>Maintenance Fund</u>	<u>Invested In Capital Assets (Note 13)</u>			
Net assets, beginning of year	\$ (567,029)	\$ (880)	\$ 187,190	\$ 57,491	\$ 3,069,712	\$ 2,746,484	\$ 2,516,111	
Excess (deficiency) of revenue over expenses for the year	254,025	(5,520)	32,561	-	(179,746)	101,320	230,373	
Interfund Transfers								
Acquisition of capital assets	(283,625)	-	-	-	283,625	-	-	
Mortgage repayment	(130,341)	-	-	-	130,341	-	-	
Appropriation	-	-	-	-	-	-	-	
Other	190	-	(190)	-	-	-	-	
Net assets, end of year	\$ (726,780)	\$ (6,400)	\$ 219,561	\$ 57,491	\$ 3,303,932	\$ 2,847,804	\$ 2,746,484	

The accompanying notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 101,320	\$ 230,373
Items not affecting cash		
Amortization of capital assets	391,471	369,144
Amortization of deferred contributions related to capital assets	(211,725)	(169,605)
	281,066	429,912
Changes in non-cash working capital		
Accounts receivable	163,621	(131,374)
Due from WRHA	(20,097)	(13,840)
Inventories	(12,715)	981
Prepaid expenses	(7,220)	471,048
Retirement obligation receivable	9,254	49,996
Accounts payable and accrued liabilities	(359,475)	250,671
Due to WRHA	160,519	611,285
Accrued vacation entitlements	42,472	30,592
Deferred revenue	(23,455)	67,096
Accrued retirement obligations	(12,307)	(58,518)
Deferred contributions related to expenses of future periods	7,000	(50,491)
	228,663	1,657,358
Cash Flows from Financing Activities		
Mortgage proceeds	-	1,100,000
Mortgage repayment	(130,341)	(619,229)
Contributions related to capital asset acquisitions	362,274	665,565
	231,933	1,146,336
Cash Flows from Investing Activities		
Acquisition of capital assets	(645,899)	(2,390,103)
Net (increase) decrease in amount due from Mount Carmel Clinic Foundation	8,338	(8,649)
	(637,561)	(2,398,752)
Net increase (decrease) in cash and bank for the year	(176,965)	404,942
Cash and bank, beginning of year	1,532,217	1,127,275
Cash and bank, end of year	\$ 1,355,252	\$ 1,532,217

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2020

1. Nature of the Organization

Mount Carmel Clinic ("Clinic") is an inter-disciplinary community health centre committed to providing comprehensive health care to the community. The Clinic is incorporated under The Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

b) Revenue Recognition

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

The majority of the Clinic's funding is provided by the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements agreed to by the WRHA and the Clinic. 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 agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2020.

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.

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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2020

2. Summary of Significant Accounting Policies (continued)

c) Fund Accounting

The Operating Fund records the day-to-day operations of the Clinic.

The Day Care Fund records the day-to-day operations of the Anne Ross Day Nursery ("Day Care").

The Donation Fund records donations and interest on investments and disburses the funds based on Board of Directors' approval.

The Maintenance Fund is used to fund the Clinic's internally restricted renovation projects and the purchase of equipment and furnishings at the discretion of management.

The Invested in Capital Assets Fund represents the Clinic's internally restricted net assets that are not available for other purposes because they have been invested in capital assets (Note 13).

d) Inventories

Inventories are carried at the lower of cost, determined by the first-in, first-out method, and net realizable value.

e) Capital Assets

Capital assets with cost exceeding \$2,000 are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of the assets as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years

f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments traded in an active market are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2020

2. Summary of Significant Accounting Policies (continued)

g) Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

h) Contributed Services

Volunteers contributed a significant number of hours to assist the Clinic in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

i) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of statement of financial position, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Accounts Receivable

	2020	2019
Receivable for Clinic services	\$ 123,291	\$ 291,398
Other receivables	84,774	80,288
	\$ 208,065	\$ 371,686

4. Due from WRHA

	2020	2019
2018/2019 funding adjustment	\$ -	\$ 74,462
2019/2020 funding adjustment	94,559	-
	\$ 94,559	\$ 74,462

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

5. Accrued Vacation Entitlements

The Clinic records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Clinic's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes accrued in the vacation entitlements is as follows:

	2020	2019
Balance, beginning of year	\$ 462,588	\$ 431,996
Net increase in accrued vacation entitlements	42,472	30,592
Balance, end of year	\$ 505,060	\$ 462,588

6. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Landscaping	\$ 872,890	\$ -	\$ 358,469	\$ -
Buildings	11,723,724	4,222,764	11,656,946	3,929,746
Furniture, fixtures and equipment	921,048	652,821	856,348	602,040
Computer equipment	417,647	343,530	417,647	295,858
	\$ 13,935,309		\$ 13,289,410	
Net book value	\$ 8,716,194		\$ 8,461,766	

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include \$70,984 (\$564 in 2019) in government remittances payable.

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

8. Due to WRHA

Amounts due to WRHA are for medical remuneration.

9. Deferred Revenue

	2020	2019
Operating Fund		
Day Care grant	\$ 632	\$ 3,590
Day Care subsidy advance	15,510	15,510
Mothering Project	30	63,730
Other	186,485	72,469
Parenting Student Program	25,399	44,175
Sage House	(107)	32,970
	227,949	232,444
Donation Fund		
Child Day Care Centre	61,694	82,795
Mount Carmel Clinic Foundation	1,860	1,860
Other	33,226	33,157
Sage House	33,573	31,501
	130,353	149,313
	\$ 358,302	\$ 381,757

10. Mortgage Payable

	2020	2019
Mortgage bearing interest at 4.09%; repayable in monthly blended payments of \$3,015; due March 2022; secured by a promissory note for \$1,100,000, registered multi-purpose first real property mortgage for \$1,500,000 over 896 and 888 Main Street, Winnipeg, Manitoba, general assignment of rents and leases over 896 and 888 Main Street registered as first charge, General Security Agreement providing second charge over all assets of the Clinic, and assignment of all risk fire and theft insurance.	\$ 350,430	\$ 480,771
Less current portion of mortgage payable	22,262	18,475
	\$ 328,168	\$ 462,296

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

10. Mortgage Payable (continued)

Principal payments due in the fiscal years ending March 31 are as follows:

2021	\$	22,262
2022		328,168

11. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2020	2019
Balance, beginning of year	\$ 106,100	\$ 156,591
Add amounts received during year	7,000	7,000
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year	-	(57,491)
Balance, end of year	\$ 113,100	\$ 106,100

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2020	2019
Balance, beginning of year	\$ 4,911,283	\$ 4,415,323
Add amounts received during year	362,274	665,565
Less amounts recognized as revenue during the year	(211,725)	(169,605)
Balance, end of year	\$ 5,061,832	\$ 4,911,283

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

12. Operating Line of Credit

The Clinic has an operating line of credit for \$275,000 that bears interest at the credit union's prime rate of 2.45% at March 31, 2020. The Clinic's approved line of credit is secured by an assignment of the Clinic's deposits. The line of credit was unutilized at March 31, 2020 and 2019.

13. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	2020	2019
Capital assets, net book value	\$ 8,716,194	\$ 8,461,766
Less amounts financed by:		
Deferred contributions	5,061,832	4,911,283
Mortgage payable	350,430	480,771
	\$ 3,303,932	\$ 3,069,712

The deficiency of revenue over expenses for the year for the Invested in Capital Assets Fund is calculated as follows:

	2020	2019
Revenue		
Amortization of deferred contributions related to capital assets	\$ 211,725	\$ 169,605
Expenses		
Amortization of capital assets	391,471	369,144
Deficiency of revenue over expenses for the year	\$ (179,746)	\$ (199,539)

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

14. Revenue from the WRHA

	2020	2019
Revenue as per WRHA final funding document (March 31, 2020 EFT)	\$ 8,333,236	\$ 8,307,517
Add (Deduct)		
ACT funding	-	(204,688)
Group health	16,219	14,478
Medical remuneration	(379,689)	(454,888)
Other	30,290	281
Payments related to prior year activities	136,379	(64,937)
Pre-retirement leave	22,846	(19,236)
Salary costs	6,996	19,224
	(166,959)	(709,766)
Deduct		
Deferred funds		
Staffing positions	(7,000)	(7,000)
Total funding approved by WRHA	8,159,277	7,590,751
Deduct		
Funding of capital projects	-	(10,000)
Deferred funds - Insurance deductible	(1,008)	(1,008)
	(1,008)	(11,008)
Revenue from WRHA	\$ 8,158,269	\$ 7,579,743

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2020

15. Contingency and Insurance

The Clinic has been named as the defendant in two human rights complaints arising in the ordinary course of operations. With respect to claims at March 31, 2020, management believes the Clinic has valid defences. Management has concluded that it is premature to make any evaluation of the possible outcome or possible settlement amount of these claims, if any. Consequently, no provision for these complaints has been made in the financial statements.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020. The Clinic is a named insured under the WRHA policy with HIROC.

16. Employee Future Benefits

Accrued Pre-retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of the Clinic are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Clinic Group Pension Plan. The Clinic's contractual commitment is to pay four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- i) has 10 years service and has reached the age 55
- ii) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii) retires at or after age 65
- iv) terminates employment at any time due to permanent disability

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

16. Employee Future Benefits (continued)

Accrued Pre-retirement Entitlement (continued)

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2020. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.50% (3.00% in 2019) and a rate of salary increase of 3.50% (3.50% in 2019) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Clinic, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year for employees engaged in WRHA funded programs. This amount will also be paid when required and the WRHA holds funding to meet this obligation. The retirement obligation is receivable from Manitoba Health.

An analysis of the changes in the employee benefits payable is as follows:

	<u>2020</u>	2019
Balance, beginning of year	\$ 611,143	\$ 669,661
Net change in pre-retirement entitlements	(12,307)	(58,518)
Balance, end of year	<u>\$ 598,836</u>	<u>\$ 611,143</u>

Pension Plan

Substantially all of the employees of the Clinic are members of the Healthcare Employees Pension Plan (the "Plan"). The Plan is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. As individual entities within the Plan are not able to identify assets and liabilities, the Clinic is accounting for the Plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made each period. Plan members will receive benefits based on highest average earnings and years of credited service.

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

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2020

16. Employee Future Benefits (continued)

Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under \$52,500 and 9.50% for salaries greater than \$52,500 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 201 indicated a solvency deficiency. On April 1, 2013, both employer and employee contribution rates increased to 7.90% of pensionable earnings up to YMPE and 9.50% on earnings in excess of the YMPE. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to \$505,878 (\$509,716 in 2019) and are included in salaries and benefits in the statement of operations.

17. Economic Dependence

The Clinic is economically dependent upon the government and other agencies for funding its operations.

18. Financial Risk Management

The Clinic is exposed to different types of financial risk in the normal course of operations. The Clinic's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Clinic's activities. The risks have not changed from the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Clinic to credit risk consist principally of cash and bank, and accounts and grants receivable.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2020

18. Financial Risk Management (continued)

Credit Risk (continued)

The Clinic is not exposed to credit risk for its cash and bank balance since all funds are held at a credit union with deposits fully guaranteed. The Clinic is not exposed to significant credit risk for trade accounts receivable since these balances are spread among a broad client base and payment in full is typically collected when it is due. The Clinic establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The Clinic is not exposed to significant credit risk for amounts due from the WRHA or other funding agency since payments are due in accordance with signed service purchase agreements or funding agreements.

Liquidity Risk

Liquidity risk is the risk that the Clinic will not be able to meet its obligations as they fall due. The Clinic is not subject to significant liquidity risk as it manages its working capital to ensure all its obligations can be met when they fall due.

19. Subsequent Event

Subsequent to year end, the Board of Directors approved the purchase of x-ray equipment with renovation of premises to house the new equipment with an estimated cost of \$550,000 to be funded by unrestricted net assets and borrowings.

20. Uncertainty Due to COVID-19 Issue

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 20, 2020, the Manitoba government declared a province-wide state of emergency and the Chief Public Health Officer issued public health orders to protect the health and safety of all Manitobans and reduce the spread of COVID-19.

As a result, effective March 20, 2020, the Clinic was required to temporarily reduce the number of available child care spaces resulting in a reduction in its revenue for child care operations and some employees placed on furlough leave. While the Clinic has received its operating grant for the period of April to June 2020, the Manitoba government has not advised the Clinic whether any portion of this grant will be required to be repaid as at the date of approval of these financial statements. In addition, the Clinic has implemented specific measures to reduce the risk of spreading COVID-19 within its facility and its community of service. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.