

**MOUNT CARMEL CLINIC**

**Financial Statements**  
**For the year ended March 31, 2021**

# **MOUNT CARMEL CLINIC**

## **Financial Statements For the year ended March 31, 2021**

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## Independent Auditor's Report

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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, 2021, 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, 2021, 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 27, 2021

**MOUNT CARMEL CLINIC**  
**Statement of Financial Position**

As at March 31	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and bank	\$ 2,194,284	\$ 1,355,252
Accounts receivable (Note 3)	158,859	208,065
Due from WRHA (Note 4)	32,367	94,559
Inventories	101,581	71,829
Prepaid expenses	12,424	22,438
Vacation entitlements receivable (Note 5)	381,653	381,653
	2,881,168	2,133,796
Retirement obligation receivable (Note 16)	352,519	330,967
Capital assets (Note 6)	9,138,957	8,716,194
<b>Total assets</b>	<b>\$ 12,372,644</b>	<b>\$ 11,180,957</b>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 685,554	\$ 446,079
Due to WRHA (Note 8)	1,368,136	899,514
Accrued vacation entitlements (Note 5)	457,606	505,060
Deferred revenue (Note 9)	688,784	358,302
Current portion of mortgage payable (Note 10)	214,646	22,262
	3,414,726	2,231,217
Mortgage payable (Note 10)	-	328,168
Accrued retirement obligations (Note 16)	628,114	598,836
	628,114	927,004
<b>Deferred Contributions (Note 11)</b>		
Expenses of future periods	120,100	113,100
Capital assets	5,332,805	5,061,832
	5,452,905	5,174,932
<b>Total liabilities</b>	9,495,745	8,333,153
<b>Total net assets (Page 6)</b>	2,876,899	2,847,804
	<b>\$ 12,372,644</b>	<b>\$ 11,180,957</b>

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	2021	2020
<b>Revenue</b>		
Amortization of deferred contributions	\$ 224,201	\$ 211,725
Dental fees	77,437	102,407
Donations	24,228	29,446
Grants		
Province of Manitoba	960,686	981,364
United Way of Winnipeg	154,425	140,483
Other sources	943,816	994,735
Investment income	19,391	29,739
Medical program	16,793	25,111
Other	260,192	164,764
Parent fees	70,370	72,707
Pharmacy sales	1,664,586	4,473,548
Winnipeg Regional Health Authority (Note 14)	8,436,598	8,158,269
	<b>12,852,723</b>	<b>15,384,298</b>
<b>Expenses</b>		
Amortization of capital assets	438,787	391,471
Bank charges	20,480	19,968
Charitable drug program	7,558	7,722
Drugs	1,501,548	4,062,557
Interest on debt	10,396	15,839
Maintenance and repairs	200,852	151,991
Office supplies and expenses	262,192	216,003
Other occupancy costs	234,938	203,916
Program supplies and other	1,812,915	1,445,263
Salaries and benefits	7,974,198	8,487,018
Travel, meetings and conferences	104,972	91,504
Utilities	225,514	202,033
	<b>12,794,350</b>	<b>15,295,285</b>
<b>Excess of revenue over expenses for the year before other item</b>	<b>58,373</b>	<b>89,013</b>
<b>Other Item</b>		
Decrease (increase) in accrued retirement obligations liability	(29,278)	12,307
<b>Excess of revenue over expenses for the year</b>	<b>\$ 29,095</b>	<b>\$ 101,320</b>

**MOUNT CARMEL CLINIC**  
**Statement of Changes in Net Assets**

For the year ended March 31, 2021

	<u>Unrestricted</u>				<u>Internally Restricted</u>	<b>2021 Total</b>	2020 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>		
<b>Net assets, beginning of year</b>	\$ (726,780)	\$ (6,400)	\$ 219,561	\$ 57,491	\$ 3,303,932	\$ 2,847,804	\$ 2,746,484
<b>Excess (deficiency) of revenue over expenses for the year</b>	217,703	254	25,724	-	(214,586)	29,095	101,320
<b>Interfund Transfers</b>							
Acquisition of capital assets	(366,376)	-	-	-	366,376	-	-
Mortgage repayment	(135,784)	-	-	-	135,784	-	-
Appropriation	4,743	-	-	(4,743)	-	-	-
<b>Net assets, end of year</b>	<b>\$ (1,006,494)</b>	<b>\$ (6,146)</b>	<b>\$ 245,285</b>	<b>\$ 52,748</b>	<b>\$ 3,591,506</b>	<b>\$ 2,876,899</b>	<b>\$ 2,847,804</b>

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

## MOUNT CARMEL CLINIC Statement of Cash Flows

For the year ended March 31	2021	2020
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenses for the year	\$ 29,095	\$ 101,320
Items not affecting cash		
Amortization of capital assets	438,787	391,471
Amortization of deferred contributions related to capital assets	(224,201)	(211,725)
	243,681	281,066
Changes in non-cash working capital		
Accounts receivable	49,206	163,621
Due from WRHA	62,192	(20,097)
Inventories	(29,752)	(12,715)
Prepaid expenses	10,014	(7,220)
Retirement obligation receivable	(21,552)	9,254
Accounts payable and accrued liabilities	239,475	(359,475)
Due to WRHA	468,622	160,519
Accrued vacation entitlements	(47,454)	42,472
Deferred revenue	330,482	(23,455)
Accrued retirement obligations	29,278	(12,307)
Deferred contributions related to expenses of future periods	7,000	7,000
	1,341,192	228,663
<b>Cash Flows from Financing Activities</b>		
Mortgage repayment	(135,784)	(130,341)
Contributions related to capital asset acquisitions	495,174	362,274
	359,390	231,933
<b>Cash Flows from Investing Activities</b>		
Acquisition of capital assets	(861,550)	(645,899)
Net decrease in amount due from Mount Carmel Clinic Foundation	-	8,338
	(861,550)	(637,561)
<b>Net increase (decrease) in cash and bank for the year</b>	<b>839,032</b>	<b>(176,965)</b>
<b>Cash and bank, beginning of year</b>	<b>1,355,252</b>	<b>1,532,217</b>
<b>Cash and bank, end of year</b>	<b>\$ 2,194,284</b>	<b>\$ 1,355,252</b>

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# MOUNT CARMEL CLINIC

## Notes to Financial Statements

**For the year ended March 31, 2021**

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### 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, 2021.

Restricted contributions including grants and donations 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.

Unrestricted contributions including grants and donations are recognized as revenue when received or receivable.

Dental fees, medical program and parent fees revenue are recognized as revenue when services are rendered and pharmacy sales are recognized as revenue on point of sale providing the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

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# MOUNT CARMEL CLINIC

## Notes to Financial Statements

**For the year ended March 31, 2021**

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### 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
Computer equipment	5 years
Furniture, fixtures and equipment	10 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.

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# MOUNT CARMEL CLINIC

## Notes to Financial Statements

**For the year ended March 31, 2021**

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### 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful files of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the periods in which they become known.

### 3. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Receivable for Clinic services	\$ 74,837	\$ 123,291
Other receivables	84,022	84,774
	<u>\$ 158,859</u>	<u>\$ 208,065</u>

## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

#### 4. Due from WRHA

	2021	2020
2020/2021 funding adjustment	\$ 32,367	\$ -
2019/2020 funding adjustment	-	94,559
	\$ 32,367	\$ 94,559

#### 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:

	2021	2020
Balance, beginning of year	\$ 505,060	\$ 462,588
Net increase (decrease) in accrued vacation entitlements	(47,454)	42,472
Balance, end of year	\$ 457,606	\$ 505,060

#### 6. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Landscaping	\$ 964,632	\$ -	\$ 872,890	\$ -
Buildings	11,995,383	4,516,766	11,723,724	4,222,764
Furniture, fixtures and equipment	1,407,459	750,064	921,048	652,821
Computer equipment	423,429	385,116	417,647	343,530
	\$ 14,790,903	\$ 5,651,946	\$ 13,935,309	\$ 5,219,115
Net book value		\$ 9,138,957		\$ 8,716,194

## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

### 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include \$1,842 (\$70,984 in 2020) in government remittances payable.

### 8. Due to WRHA

Amounts due to WRHA are for medical remuneration.

### 9. Deferred Revenue

	2021	2020
Operating Fund		
Day Care grant	\$ 29,960	\$ 632
Day Care subsidy advance	15,510	15,510
Mothering Project	280,620	30
Other	130,083	186,485
Parenting Student Program	84,701	25,399
Sage House	9,704	(107)
	550,578	227,949
Donation Fund		
Child Day Care Centre	62,894	61,694
Mount Carmel Clinic Foundation	1,860	1,860
Other	36,905	33,226
Sage House	36,547	33,573
	138,206	130,353
	\$ 688,784	\$ 358,302

## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

### 10. Mortgage Payable

	2021	2020
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.	\$ 214,646	\$ 350,430
Less current portion of mortgage payable	214,646	22,262
	\$ -	\$ 328,168

### 11. Deferred Contributions

#### Expenses of Future Periods

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

	2021	2020
Balance, beginning of year	\$ 113,100	\$ 106,100
Add amounts received during year	7,000	7,000
Balance, end of year	\$ 120,100	\$ 113,100

#### 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.

	2021	2020
Balance, beginning of year	\$ 5,061,832	\$ 4,911,283
Add amounts received during year	495,174	362,274
Less amounts recognized as revenue during the year	(224,201)	(211,725)
Balance, end of year	\$ 5,332,805	\$ 5,061,832

## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

### 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, 2021. 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, 2021 and 2020.

### 13. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	2021	2020
Capital assets, net book value	\$ 9,138,957	\$ 8,716,194
Less amounts financed by:		
Deferred contributions	5,332,805	5,061,832
Mortgage payable	214,646	350,430
	\$ 3,591,506	\$ 3,303,932

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

	2021	2020
Revenue		
Amortization of deferred contributions related to capital assets	\$ 224,201	\$ 211,725
Expenses		
Amortization of capital assets	438,787	391,471
Deficiency of revenue over expenses for the year	\$ (214,586)	\$ (179,746)

## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

### 14. Revenue from the WRHA

	2021	2020
Revenue as per WRHA final funding document (March 31, 2021 EFT)	<b>\$ 8,934,284</b>	<b>\$ 8,333,236</b>
Add (Deduct)		
Group health	11,551	16,219
COVID funding	(36,896)	-
Medical remuneration	(429,257)	(379,689)
Other	27,663	30,290
Payments related to prior year activities	(94,559)	136,379
Pre-retirement leave	32,312	22,846
Salary costs	7,585	6,996
	<b>(481,601)</b>	<b>(166,959)</b>
Deduct		
Deferred funds		
Staffing positions	(7,000)	(7,000)
	<b>8,445,683</b>	<b>8,159,277</b>
Total funding approved by WRHA		
Deduct		
Funding of capital projects	(8,077)	-
Deferred funds - Insurance deductible	(1,008)	(1,008)
	<b>(9,085)</b>	<b>(1,008)</b>
Revenue from WRHA	<b>\$ 8,436,598</b>	<b>\$ 8,158,269</b>

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# MOUNT CARMEL CLINIC

## Notes to Financial Statements

**For the year ended March 31, 2021**

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### 15. Contingency and Insurance

The Clinic has been named as the defendant in one human rights complaints arising in the ordinary course of operations. With respect to claim at March 31, 2021, management believes the Clinic has a valid defence. Management has concluded that it is premature to make any evaluation of the possible outcome or possible settlement amount of this claim, if any. Consequently, no provision for this complaint 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, 2021. 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.

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2021. 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 2020) and a rate of salary increase of 3.50% (3.50% in 2020) plus age related merit/promotion scale with 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.

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## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

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### 16. Employee Future Benefits (continued)

#### Accrued Pre-retirement Entitlement (continued)

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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 598,836	\$ 611,143
Net change in pre-retirement entitlements	<u>29,278</u>	<u>(12,307)</u>
Balance, end of year	<u>\$ 628,114</u>	<u>\$ 598,836</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.

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 \$58,700 and \$61,200, and 9.50% for salaries greater than \$58,700 and \$61,200 contributed by employees for calendar years 2020 and 2021, respectively, 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.

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## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

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### 16. Employee Future Benefits (continued)

#### Pension Plan (continued)

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, 2019 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 \$513,525 (\$505,878 in 2020) 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.

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.

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## MOUNT CARMEL CLINIC Notes to Financial Statements

**For the year ended March 31, 2021**

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### 18. Financial Risk Management (continued)

#### 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. Uncertainty Due to COVID-19 Issue

The Clinic has implemented specific measures to reduce the risk of spreading COVID-19 within its facility and its community of service. The Clinic continues to monitor the impact of COVID-19 on its operations, its liquidity, and its financial position. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.