

Financial Statements of

**WRINCH MEMORIAL HOSPITAL**

Year ended March 31, 2009

## STATEMENT OF MANAGEMENT RESPONSIBILITY

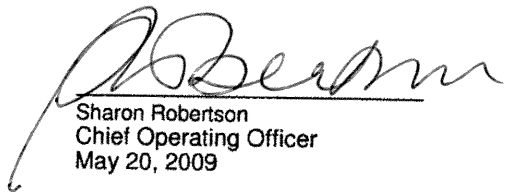
The Financial Statements of Wrinch Memorial Hospital for the year ended March 31, 2009 have been prepared by management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.


The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Operations and Finance Committee of the Board. The Operations and Finance Committee meets with management and the external auditor at least once a year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Hospital's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Operations and Finance Committee of the Board and have the option to meet with it on regular basis.

On behalf of Wrinch Memorial Hospital



Sharon Robertson  
Chief Operating Officer  
May 20, 2009



Douglas R. Phillips  
Manager Business Support, Northwest Health Service Delivery Area  
May 20, 2009



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## **AUDITORS' REPORT TO THE DIRECTORS OF THE WRINCH MEMORIAL HOSPITAL**

We have audited the statement of financial position of Wrinch Memorial Hospital as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2009 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending to the right.

Chartered Accountants

Prince George, Canada  
May 15, 2009

# WRINCH MEMORIAL HOSPITAL

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

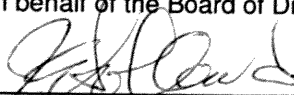
	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 5,860
Accounts receivable (note 3)	43,788	107,142
Due from Northern Health Authority	48,708	152,577
	92,496	265,579
Capital assets (note 4)	2,482,535	2,282,212
	\$ 2,575,031	\$ 2,547,791

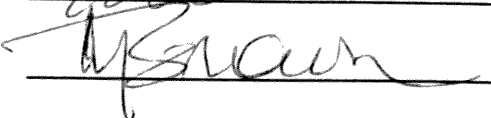
## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Current portion of retirement allowance (note 6)	\$ 45,904	\$ 52,726
Long-term liabilities:		
Deferred capital contributions (note 5)	2,476,434	2,227,287
Retirement allowance (note 6)	443,344	395,417
	2,919,778	2,622,704
Net assets (deficiency):		
Invested in capital assets (note 7)	6,101	6,101
Unrestricted	(396,752)	(133,740)
	(390,651)	(127,639)
	\$ 2,575,031	\$ 2,547,791

See accompanying notes to financial statements.

On behalf of the Board of Directors:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# WRINCH MEMORIAL HOSPITAL

## Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

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	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>		
Northern Health Authority contributions	\$ 4,273,196	\$ 4,055,116
Medical Services Plan	346,254	325,563
Amortization of deferred capital contributions	268,482	248,266
Other	210,241	182,908
Patients, clients and residents	152,797	129,881
Investment income	9,787	13,686
	<hr/> 5,260,757	<hr/> 4,955,420
<b>Expenses:</b>		
Compensation and benefits	4,095,974	3,863,100
Supplies	722,149	750,346
Depreciation of capital assets	268,482	248,266
Distributions to affiliated organizations	216,002	216,002
Equipment and building services	107,508	160,758
Sundry	63,222	48,976
Referred-out and contracted services	50,432	33,069
	<hr/> 5,523,769	<hr/> 5,320,517
Deficiency of revenues over expenses	<hr/> \$ (263,012)	<hr/> \$ (365,097)

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See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

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	Invested in		2009	2008
	Capital assets	Unrestricted	Net assets	Net assets
Balance, beginning of year	\$ 6,101	\$ (133,740)	\$ (127,639)	\$ 237,458
Deficiency of revenue over expenses (note 5)	-	(263,012)	(263,012)	(365,097)
Balance, end of year	\$ 6,101	\$ (396,752)	\$ (390,651)	\$ (127,639)

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See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (263,012)	\$ (365,097)
Items not involving cash:		
Amortization of deferred capital contributions	(268,482)	(248,266)
Depreciation of capital assets	268,482	248,266
	<u>(263,012)</u>	<u>(365,097)</u>
Change in non-cash operating working capital:		
Accounts receivable and due from Northern Health Authority	167,223	317,927
Accounts payable and retirement allowance	41,105	47,418
	<u>(54,684)</u>	<u>248</u>
Cash flows from investing activities:		
Purchase of capital assets	(468,805)	(598,169)
Cash flows from financing activities:		
Increase in deferred capital contributions	517,629	598,169
Increase (decrease) in cash and cash equivalents	(5,860)	248
Cash and cash equivalents, beginning of year	5,860	5,612
Cash and cash equivalents, end of year	<u>\$ (0)</u>	<u>\$ 5,860</u>

See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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Wrinch Memorial Hospital (the "Hospital") is owned and operated by the United Church of Canada, to manage through the Board of Directors ("Board") and under an affiliation agreement with Northern Health Authority, the delivery of health care within the Hazelton region of the Province of British Columbia.

The mandate of the Hospital, defined by its affiliation agreement with Northern Health Authority, is to plan, deliver, monitor and report on health services which include acute care, public and population health programs. Services for persons with mental health or substance use disorders and home and community care programs for people who live in the region and through referral from outside the region.

The Hospital is a registered charity under the *Income Tax Act* and accordingly is exempt from income and capital taxes, provided certain requirements of the *Income Tax Act* are met.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

### (b) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are treated as cash and cash equivalents.

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Hospital records depreciation on its assets on a straight-line basis over the useful life of the assets as follows.

Asset	Rate
Buildings	10 – 50 years
Building service equipment	5 – 25 years
Equipment	3 – 20 years
Land improvements	5 – 25 years

### (d) Asset retirement obligations:

The Hospital recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and change in the fair value assessment of the retirement obligation.



# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition:

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of British Columbia, through the Northern Health Authority, in accordance with budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recorded as revenues in the period to which they relate and the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

### (f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined benefit 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). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to sick and severance benefits is 10 years (2008 – 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

### (g) Asset and service contributions:

Volunteers contribute their time to assist the Hospital in carrying out its service delivery activities. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (h) 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 revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

### (i) Financial instruments:

The Hospital has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables and certain investments which are designated as held to maturity.

- The Hospital initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Held to maturity investments and loans and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the Hospital's long-term disability liabilities and assets, accrued retirement allowance liabilities, long term debt, and obligations under capital leases, are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, loans, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Hospital has not classified any assets or liabilities as available for sale.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transactions that received hedge accounting.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 2. New accounting pronouncements:

### Accounting pronouncements issued and effective for the current fiscal year:

Effective April 1, 2008, the Hospital implemented Handbook Section 1400, *General Standards of Financial Statement Presentation*, which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Hospital's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, expenditures will be adjusted to match committed funding.

Effective April 1, 2008, the Hospital adopted Handbook Section 1535, *Capital Disclosures*. Under this new standard, the Hospital is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Hospital's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Hospital regards as capital, whether the Hospital has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements (note 11).

### Accounting pronouncements issued but not yet effective:

In September 2008 the CICA made certain amendments to the Handbook Section 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The Amendments are effective for the Hospital's fiscal year commencing April 1, 2009 and include removal of requirements to treat net assets invested in capital assets as a separate component of net assets.

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Hospital is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to Comment on the future financial reporting of government organizations. The Hospital is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

Section 3862, *Financial Instruments – Disclosure*, and Section 3863, *Financial Instruments – Presentation*, which require expanded financial instruments disclosure and presentation standards from those prescribed in Section 3861, *Financial Instruments – Disclosure and Presentation*, including increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA announced during the Hospital's 2008 fiscal year that not-for-profit organizations, including entities such as the Hospital, may elect to continue to apply Section 3861 in place of sections 3862 and 3863. Accordingly, the Hospital has elected to continue to apply the financial instruments disclosure and presentation standards in Section 3861 in its March 31, 2009 financial statements.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 2. New accounting pronouncements (continued):

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced existing Handbook Section 3062, *Goodwill and Other Intangible Assets*, and Handbook Section 3450, *Research and Development*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for the Hospital's fiscal year commencing April 1, 2009. The Hospital does not believe it will have a material impact on the financial statements.

The Hospital is currently evaluating the impact of these accounting standards for fiscal year 2010.

## 3. Accounts receivable:

		2009		2008
Foundations, Auxiliaries, Regional Hospital Districts	\$	28,835	\$	73,104
Patients, clients, residents and agencies		14,953		32,927
Other		-		1,111
	\$	43,788	\$	107,142

## 4. Capital assets:

	2009		2008	
	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	\$ 16,139	\$ (10,038)	\$ 6,101	\$ 7,121
Buildings	5,324,806	(4,569,281)	755,525	718,869
Building service equipment	405,658	(109,706)	295,952	417,244
Construction in progress	273,835	-	273,835	300,000
Equipment	2,886,750	(1,735,628)	1,151,122	838,978
	\$ 8,907,188	\$ (6,424,653)	\$ 2,482,535	\$ 2,282,212

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 5. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Deferred capital contributions, beginning of year	\$ 2,227,287	\$ 1,877,383
Contributions during the year:		
Ministry of Health	473,622	339,389
Regional Hospital Districts	18,090	125,626
Other	25,917	133,155
	2,744,916	2,475,553
Less amortization for the year	(268,482)	(248,266)
Deferred capital contributions, end of year	\$ 2,476,434	\$ 2,227,287

Deferred capital contributions are comprised of the following:

	2009	2008
Contributions used to purchase capital assets	\$ 2,476,434	\$ 2,276,111
Excess contributions	-	(48,824)
	\$ 2,476,434	\$ 2,227,287

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 6. Employee future benefits:

### (a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified in the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Hospital's liabilities are based on an actuarial valuation as at December 31, 2006 updated to December 31, 2008. The next required valuation will be as of December 31, 2009.

Information about employee retirement allowance benefits is as follows:

	2009	2008
Accrued benefit obligation:		
Sick leave benefits	\$ 123,259	\$ 145,560
Severance benefits	185,115	221,060
Total unfunded retirement allowance obligation	308,374	366,620
Balance of unamortized amounts	180,874	81,523
Accrued retirement allowance benefits	\$ 489,248	\$ 448,143

The amounts recorded in the financial statements are as follows:

	2009	2008
Accrued retirement allowance benefits:		
Current portion	\$ 45,904	\$ 52,726
Long-term portion	443,344	395,417
	\$ 489,248	\$ 448,143
Retirement allowance expense	\$ 45,990	\$ 47,420
Retirement allowance benefits paid	4,886	-

The amount recorded as a liability by the Hospital in the amount of \$489,248 differs from the actuarially determined accrued benefit obligation of \$308,374 due to the amortization of prior years experience gains and losses taken into account in the determination of the accrued benefit obligation.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 6. Employee future benefits (continued):

### (a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Hospital's accrued retirement allowance are as follows:

	2009	2008
Accrued benefit obligation as at March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	2.50%	3.25%
Benefit costs of years ended March 31:		
Discount rate	7.25%	5.00%
Rate of compensation increase	2.50%	3.25%

### (b) Long-term disability benefits:

The Healthcare Benefit Trust ("the Trust") administers long-term disability, group life insurance, accidental death and dismemberment and extended health and dental claims for certain employee groups of the Hospital and other provincially funded organizations.

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997 and for extended health and dental benefits initiated after March 31, 2004. The actuary does not attribute any unfunded liability to the Hospital. Consequently, the Hospital's share of any unfunded liability cannot be determined. Each employer expenses contributions to the Trust in the year in which payments are made.

The most recent actuarial valuation at December 31, 2008 indicated a surplus of \$30.3 million. The plan covers approximately 78,748 active employees of which approximately 50 are employees of the Hospital. The next required valuation will be as of December 31, 2009 with the results available in 2010.

While the Trust has been restructured, the Hospital and other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

### (c) 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 \$179,572 (2008 - \$182,502) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with the results available in 2010. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The plan covers approximately 150,000 active employees of which approximately 54 are employees of the Hospital.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 7. Invested in capital assets:

### (a) Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	\$ 2,482,535	\$ 2,282,212
Amounts financed by:		
Deferred capital contributions (note 5)	(2,476,434)	(2,276,111)
	\$ 6,101	\$ 6,101

### (b) Deficiency of revenue over expenses

	2009	2008
Amortization of deferred capital contributions	\$ 268,482	\$ 248,266
Depreciation of capital assets	(268,482)	(248,266)
	\$ -	\$ -

### (c) Transfer to invested in capital assets

	2009	2008
Purchase of capital assets, net	\$ 470,807	\$ 598,169
Amounts funded by deferred capital contributions, net	(470,807)	(598,169)
	\$ -	\$ -

## 8. Economic dependence:

A substantial portion of the Hospital's revenue is received from the Ministry of Health via the Northern Health Authority. Accordingly, any disruption in that funding could have a significant effect upon operations of the Hospital. The Northern Health Authority also provided the Hospital with administrative support during the year for a charge of approximately \$216,002 (2008 - \$216,002).



# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## **9. Related party transactions:**

During the year the Hospital received an amount of approximately \$76,397 (2008 - \$68,115) in rental income and \$35,000 (2008 - \$56,318) of recoveries from United Church Health Services, the parent organization.

## **10. Financial instruments:**

The Hospital's financial instruments include cash and cash equivalents, accounts receivable, due from Northern Health Authority, retirement allowance and long-term disability benefits. The carrying value of cash and cash equivalents, accounts receivable and due from Northern Health Authority approximate their fair values due to the short-term nature of these financial assets.

The fair value of accrued retirement allowance liability and long-term disability benefits are disclosed in note 6. It is management's opinion that the Hospital is not exposed to significant risk arising from these financial instruments.

The Hospital faces credit risk with respect to the collection of its accounts receivable. There is a concentration of credit risk from the collection of receivables from the Ministry of Health, and the Northern Health Authority. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

## **11. Capital management:**

The Hospital receives its principal source of capital through funding from the Ministry of Health. The Hospital defines capital to be net assets.

The Hospital's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Hospital manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Hospital's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

The Hospital is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Hospital has complied with the external restrictions on the funding provided.