

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hôpital de Smooth Rock Falls Hospital

Opinion

We have audited the financial statements of Hôpital de Smooth Rock Falls Hospital, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net debt and 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 the organization as at March 31, 2020, and its results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government 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 organization 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.



INDEPENDENT AUDITOR'S REPORT, (CONT'D)

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the organization has a net debt of \$933,957 for the year ended March 31, 2020 and, as of that date, the organization's current liabilities exceeded its total assets by \$955,227. As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the organization's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards for Government 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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:

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

- 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 organization'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 organization'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 organization 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.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
June 1, 2020

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

HOSPITAL OFFICIALS

MARCH 31, 2020

BOARD OF DIRECTORS

ELECTED OFFICIALS

Chairperson	Mrs. Diana Brunet
Vice-Chairperson	Mrs. Nicole Poulin
Treasurer	Mrs. Angèle Rochon
Directors	Dr. Daniel Lebel (non-voting) Dr. Dave Turineck (non-voting) Mrs. Martine Blanchette Mr. Clément Desrochers Mr. Joe Couture Mrs. Diane Bernier

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	Mrs. Samantha Hiebert
Chief Financial Officer	Mrs. Maryse Gauvin - Hôpital Notre-Dame Hospital
Chief Nursing Officer	Mrs. Eliane Labonté-Bernier
Director Paramedical/Support Services	Mrs. Mélonie Loubert
Auditor	Baker Tilly HKC Chartered Professional Accountants

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2020

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HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
REVENUES			
NE LHIN, schedule 1	\$ 6,389,028	\$ 6,628,431	\$ 6,385,843
Alternative funding agreement	790,360	823,958	793,177
Differential and co-payment	592,000	680,064	620,854
Recoveries and sundry income	371,738	370,483	459,368
Amortization of deferred capital contributions			
- equipment	97,308	142,087	134,501
Patient revenues	95,600	100,754	187,024
Gain on disposal of capital assets	-	3,000	10,189
	<u>8,336,034</u>	<u>8,748,777</u>	<u>8,590,956</u>
EXPENSES			
Salaries and wages	4,126,198	4,238,266	4,342,384
Medical staff remuneration	914,741	957,282	920,397
Employee benefits	1,182,864	1,159,822	1,160,008
Supplies and other expenses	1,713,124	1,657,521	1,810,149
Medical and surgical	72,200	89,883	99,160
Drugs and medicine	110,000	77,141	108,695
Amortization of equipment	195,533	189,822	185,094
Bad debts (recovered)	4,000	1,458	(3,576)
Amortization of buildings - net, schedule 2	17,374	28,291	21,026
	<u>8,336,034</u>	<u>8,399,486</u>	<u>8,643,337</u>
EXCESS OF REVENUES OVER EXPENSES (EXCESS OF EXPENSES OVER REVENUES) FROM OPERATIONS BEFORE OTHER PROGRAMS	-	349,291	(52,381)
OTHER PROGRAMS, SCHEDULE 3	-	(945)	(945)
EXCESS OF REVENUES OVER EXPENSES (EXCESS OF EXPENSES OVER REVENUES)	\$ -	\$ 348,346	\$ (53,326)

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31, 2020

	Invested in Capital Assets (note 13)	Unrestricted	Total 2020	Total 2019
NET ASSETS (NET DEBT), BEGINNING OF YEAR	\$ 718,759	\$ (2,001,062)	\$ (1,282,303)	\$ (1,228,977)
EXCESS OF REVENUES OVER EXPENSES (EXCESS OF EXPENSES OVER REVENUES)	-	348,346	348,346	(53,326)
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 13)	(179,665)	179,665	-	-
NET ASSETS (NET DEBT), END OF YEAR	\$ 539,094	\$ (1,473,051)	\$ (933,957)	\$ (1,282,303)

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 166,436	\$ 3,068
Accounts receivable (note 5)	255,851	265,617
Inventories	91,758	77,824
Prepaid expenses	58,744	58,210
	<u>572,789</u>	<u>404,719</u>
CAPITAL ASSETS (note 6)	<u>4,979,917</u>	<u>5,015,258</u>
	<u>\$ 5,552,706</u>	<u>\$ 5,419,977</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 7)	\$ -	\$ 341,923
Accounts payable and accrued liabilities (note 8)	1,211,791	1,177,913
Deferred revenues (note 9)	305,025	397,205
Current portion of obligation under capital leases	11,200	8,614
	<u>1,528,016</u>	<u>1,925,655</u>
OBLIGATION UNDER CAPITAL LEASES (note 10)	119,289	-
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	4,310,334	4,287,885
POST-EMPLOYMENT BENEFITS PAYABLE (note 12)	529,024	488,740
	<u>6,486,663</u>	<u>6,702,280</u>
GOING CONCERN (note 2)		
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 13)	539,094	718,759
NET DEFICIENCY	<u>(1,473,051)</u>	<u>(2,001,062)</u>
	<u>(933,957)</u>	<u>(1,282,303)</u>
	<u>\$ 5,552,706</u>	<u>\$ 5,419,977</u>

CONTINGENCIES AND COMMITMENTS - note 17

On behalf of the board

Nana Burnett Director

Quigley Roche Director

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses (excess of expenses over revenues)	\$ 348,346	\$ (53,326)
Items not involving cash:		
Amortization of deferred capital contributions		
- equipment	(142,087)	(134,501)
Amortization of deferred capital contributions - buildings	(387,055)	(358,250)
Amortization of deferred capital contributions		
- leasehold improvements - detox	(18,145)	(18,145)
Amortization of leasehold improvement - detox	19,090	19,090
Amortization of major equipment - detox	5,945	5,945
Amortization of buildings	415,346	379,276
Amortization of equipment	189,822	185,094
Accrual for post employment benefits	40,284	39,217
Gain on disposal of capital assets	(3,000)	(10,189)
	<u>468,546</u>	<u>54,211</u>
Changes in:		
Accounts receivable	9,766	126,738
Inventories	(13,934)	(18,177)
Prepaid expenses	(534)	(12,762)
Accounts payable and accrued liabilities	33,878	(123,042)
Deferred revenue	(92,180)	2,313
	<u>405,542</u>	<u>29,281</u>
FINANCING ACTIVITIES		
Repayment of obligation under capital leases	(15,172)	(36,248)
Proceeds of obligation under capital leases	137,046	-
	<u>121,874</u>	<u>(36,248)</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	(711,767)	(735,190)
Capital contributions received	569,736	862,035
Proceeds from disposal of capital assets	3,000	10,189
Transfer of capital project in progress	116,906	-
	<u>(22,125)</u>	<u>137,034</u>
CHANGE IN CASH POSITION	<u>505,291</u>	<u>130,067</u>
CASH POSITION, BEGINNING OF YEAR	<u>(338,855)</u>	<u>(468,922)</u>
CASH POSITION, END OF YEAR (note 14)	<u>\$ 166,436</u>	<u>\$ (338,855)</u>

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

1. STATUS AND NATURE OF OPERATIONS

The Hospital, incorporated under the Ontario Business Corporation Act, without share capital, operates a 37 bed Hospital under the Charitable Institutions Act, at 107 Kelly Road, Smooth Rock Falls, Ontario. The Hospital is a Not-for-Profit Organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Hospital be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Hospital, which is primarily funded by the North East Local Health Integration Network (NE LHIN) has been having financial difficulties for the past years. As of March 31, 2020, the Hospital had a net debt of \$933,957 (2019 - \$1,282,303), and as of that date, the Hospital's current liabilities exceeded its current assets by \$955,227 (2019 - \$1,520,936). The Hospital has implemented policies that have helped them obtain a surplus in the current year and going forward.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the organization be unable to continue its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations including the 4200 series of standards as issued by the Public Sector Accounting Board and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital. The revenues, expenses, assets and liabilities with respect to the operations of the Hospital Auxiliary and Foundation are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting for contributions, which include donations and government grants. Under the deferral method, revenues are recorded in the period to which they relate.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the North East Local Health Integration Network (NE LHIN) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants and donations received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from other provinces and uninsured patients, operational revenue and other services are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits with a maturity of less than three months and temporary bank overdrafts which forms an integral part of the Hospital's cash management.

INVENTORIES

Inventories of all hospital supplies are valued at current cost and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Healthcare Reporting Standards. The estimated useful lives of the assets are as follows:

Buildings	20 - 40 years
Leasehold improvements - detox	25 years
Furnishing and equipment	3 - 20 years
Information technology	3 - 5 years

The cost of capital projects in progress is recorded in capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

CONTRIBUTED SERVICES AND MATERIALS

Directors and committee members volunteer their time to assist in the Hospital's activities. While these services benefit the Hospital considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements. Contributed materials are also not recognized in these financial statements.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the North East Local Health Integration Network. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The Hospital provides defined retirement and post-employment benefits for the certain employee groups and retirees. The benefits include extended healthcare, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

Multi-employer defined benefit plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ('HOOPP'), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

Post employment benefits

a) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

b) Past service costs (if any) arising from plan amendments are immediately recognized.

c) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health and Long-Term Care.

FINANCIAL INSTRUMENTS

The Hospital records its financial instruments at either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has elected to measure cash and bank indebtedness as fair value, to correspond with how they are evaluated and managed.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and obligation under capital leases. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the allowance for doubtful accounts receivable, the useful life of capital assets, accrued liabilities, actuarial estimation of post-employment benefits and contingencies. Actual results could differ from those estimates.

4. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	2020		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 166,436	\$ -	\$ 166,436
Accounts receivable	\$ -	\$ 255,851	\$ 255,851
Accounts payable and accrued liabilities	\$ -	\$ (1,211,791)	\$ (1,211,791)
Obligation under capital leases	\$ -	\$ (130,489)	\$ (130,489)

	2019		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 3,068	\$ -	\$ 3,068
Bank indebtedness	\$ (341,923)	\$ -	\$ (341,923)
Accounts receivable	\$ -	\$ 265,617	\$ 265,617
Accounts payable and accrued liabilities	\$ -	\$ (1,177,913)	\$ (1,177,913)
Obligation under capital leases	\$ -	\$ (8,614)	\$ (8,614)

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

4. FINANCIAL INSTRUMENT CLASSIFICATION (CONT'D)

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and bank indebtedness are considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2020.

5. ACCOUNTS RECEIVABLE

	2020	2019
Health services	\$ 148,006	\$ 144,183
Grants and others	36,532	29,433
HST rebate	78,813	99,501
	<u>263,351</u>	<u>273,117</u>
Less: Allowance for doubtful accounts	7,500	7,500
	<u>\$ 255,851</u>	<u>\$ 265,617</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net	2019 Net
Land and land improvements	\$ 102,574	\$ 36,780	\$ 65,794	\$ 65,794
Buildings	12,685,020	8,758,347	3,926,673	3,825,557
Leasehold improvements - detox	461,732	165,971	295,761	314,246
Furnishing and equipment	4,347,498	3,774,250	573,248	546,871
Information technology	633,053	566,830	66,223	93,665
Capital project in progress	52,218	-	52,218	169,125
	<u>\$ 18,282,095</u>	<u>\$ 13,302,178</u>	<u>\$ 4,979,917</u>	<u>\$ 5,015,258</u>

During the year, the Hospital wrote off \$8,505 in equipment that was disposed of and fully amortized which resulted in a gain on disposal of capital assets of \$3,000.

7. BANK INDEBTEDNESS

The Hospital has an authorized line of credit of \$600,000 as at March 31, 2020, bearing interest at prime + 1% and is secured by a general security agreement. The Hospital has no outstanding balance as at March 31, 2020 (2019 - \$nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accrued liabilities	\$ 19,124	\$ 19,768
Payroll related	550,857	578,967
Trade	641,810	579,178
	<u>\$ 1,211,791</u>	<u>\$ 1,177,913</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

9. DEFERRED REVENUES

	2020	2019
Detox operations	\$ 41,770	\$ 40,485
EMR upgrade	94,061	94,061
Physician office integration	7,282	7,282
Aging at Home Program	135,386	127,060
Hospice funding	15,000	-
Unspent capital contributions	-	116,791
Foundation and others	11,526	11,526
	<u>\$ 305,025</u>	<u>\$ 397,205</u>

10. OBLIGATION UNDER CAPITAL LEASES

	2020	2019
Capital leases paid during the year	\$ -	\$ 8,614
Concentra Bank, Commercial Leasing Services capital lease, bearing interest at 4.17%, repayable in blended monthly payments of \$1,545, due August 2029, secured by equipment with net book value of \$125,780	<u>130,489</u>	-
	130,489	8,614
Current portion	<u>11,200</u>	<u>8,614</u>
	\$ 119,289	\$ -
2021		\$ 11,200
2022		11,600
2023		12,100
2024		12,700
2025		13,200
Subsequent years		<u>69,689</u>
		<u>\$ 130,489</u>

Interest charges to the accounts of the Hospital on the above during the year amounts to \$3,194 (2019 - \$nil).

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets.

	2020	2019
CAPITAL CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 14,882,509	\$ 14,020,474
Received in current year	<u>569,736</u>	<u>862,035</u>
Balance, end of year	<u>15,452,245</u>	<u>14,882,509</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(10,594,624)	(10,083,728)
Amortization - buildings	(387,055)	(358,250)
Amortization - leasehold improvement - detox	(18,145)	(18,145)
Amortization - equipment	<u>(142,087)</u>	<u>(134,501)</u>
Balance, end of year	<u>(11,141,911)</u>	<u>(10,594,624)</u>
	<u>\$ 4,310,334</u>	<u>\$ 4,287,885</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

12. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post employment life insurance, extended health coverage and dental benefits to employees subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation performed on May 4, 2018 for the year ending March 31, 2018. The actuarial valuation included the estimates for the year ending March 31, 2020 which were considered reasonable and applicable in the current year.

The following table outlines the components of the Hospital's accrued post-employment benefit liability:

	2020	2019
Accrued employee future benefit obligation	\$ 605,191	\$ 575,485
Unamortized actuarial loss	<u>(76,167)</u>	<u>(86,745)</u>
Accrued employee future benefit liability	<u>\$ 529,024</u>	<u>\$ 488,740</u>

The following table outlines the components of the Hospital's accrued post-employment benefit liability:

	2020	2019
Accrued benefit obligation, beginning of year	\$ 575,485	\$ 547,682
Unamortized actuarial loss	<u>(86,745)</u>	<u>(98,159)</u>
	488,740	449,523
Current service cost	29,141	28,191
Interest on accrued benefit obligation	19,565	18,612
Amortization on actuarial loss	10,578	11,414
Benefit payment	<u>(19,000)</u>	<u>(19,000)</u>
	<u>40,284</u>	<u>39,217</u>
	<u>\$ 529,024</u>	<u>\$ 488,740</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020**

12. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 15.

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 3.29% (2019 - 3.18%) which is the discount rate recommended by the Ministry of Health and Long-Term Care.

Extended Health Coverage

Extended Health Coverage is assumed to decrease by 0.5% per year to an ultimate rate of 4.5%. As of March 31, 2020 the rate is assumed to be 7.0% (2019 - 7.5%).

Dental costs

Dental costs remained stable at 4% per annum (2019 - 4%).

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 4,979,917	\$ 5,015,258
Deferred capital contributions	(4,310,334)	(4,287,885)
Obligation under capital leases	(130,489)	(8,614)
	<u>\$ 539,094</u>	<u>\$ 718,759</u>

The interfund transfer and the change in invested capital assets is calculated as follows:

	2020	2019
Amortization of capital assets	\$ (630,203)	\$ (589,404)
Purchase of capital assets	711,767	735,190
Capital contributions received	(569,736)	(862,035)
Repayment of obligation under capital leases	15,172	36,248
Amortization of deferred capital contributions	547,287	510,896
Capitalization of capital project in progress	(116,906)	-
Proceeds of obligations under capital leases	(137,046)	-
	<u>\$ (179,665)</u>	<u>\$ (169,105)</u>

14. CASH AND CASH EQUIVALENTS

Cash position at year end consist of:

	2020	2019
Cash	\$ 166,436	\$ 3,068
Bank indebtedness	-	(341,923)
	<u>\$ 166,436</u>	<u>\$ (338,855)</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

15. RETIREMENT BENEFITS

Substantially all of the Hospital's employees are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$342,678 (2019 - \$346,722) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. No pension liability for this type of plan is included in the Hospital's financial statements as no contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to this pension plan policies. The most recent actuarial valuation of the Plan at December 31, 2019 indicated that the Plan is fully funded on a solvency basis, meaning that it has enough assets to cover the current and future benefits of all members.

16. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the North East Local Health Integration Network. The organization's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

17. CONTINGENCIES AND COMMITMENTS

- (a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2020, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
- (b) The Hospital participates in Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2020.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

17. CONTINGENCIES AND COMMITMENTS, (CONT'D)

- (c) The Hospital, on behalf of the Cochrane District Detoxification Centre, signed a service agreement with the North Cochrane Addiction Services Inc. The Hospital shall pay North Cochrane Addiction Services Inc. an annual fee of \$101,870 in 12 equal monthly instalments. The agreement is effective as of April 1st, 2020 and is renewable yearly.
 - (d) The Hospital signed an equipment leasing agreement with Xerox on November 29, 2019, starting December 15, 2019, for a term of 55 months, payable with quarterly instalments of \$1,075.
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18. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Hospital's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) has had an impact on the Hospital's operations. The volume of patients has decreased significantly and this causes a decrease in revenue and delay in generating cash flow from the Hospital's operations.

Management is currently assessing the impact this will have on the operations of the Hospital. Management expects the Hospital will have adequate cash flow to fund its operations following the crisis through tight controls over the operating expenses and additional government allocations. However, the overall extent of the impact cannot be reliably estimated at this time. Additionally, management can not estimate the length and gravity of this outbreak. The Hospital is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

19. FOUNDATION AND AUXILIARIES

The Smooth Rock Falls Hospital Foundation is an independent corporation without share capital which has its own Board of Directors. The Foundation holds funds to be used for the benefit of or to enhance or improve the services provided by the Smooth Rock Falls Hospital or other qualified donees. The Foundation is responsible for fundraising activities carried out on behalf of the Hospital and donations or bequests made to the Hospital are recorded as Foundation revenue.

In the course of the year, the Foundation donated an amount of \$11,882 (2019 - \$262,358) for the Hospital to purchase equipment.

The Smooth Rock Falls Hospital Auxiliaries is an independent organism of volunteers which have for a goal to raise money in order to help the patients of the Hospital by contributing with the purchasing of new equipment and new infrastructure. They have their own Board of Directors and volunteers.

In the course of the year, the Auxiliaries did not donate to the Hospital (2019 - \$18,789).

The financial results of these two entities are not consolidated in the financial statements of the Hospital.

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT RISKS AND UNCERTAINTIES

CREDIT RISK

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments for their accounts receivable. The Hospital is exposed to this risk relating to its cash and accounts receivable.

The Hospital holds its cash accounts with a financial institution who is insured by the Deposit Insurance Corporation of Ontario DICO. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2019 - \$100,000).

Accounts receivable are mainly due from patients and the Ministry of Health and Long-Term Care.

The Hospital performs ongoing credit evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

The Hospital measures its exposure to credit based on how long the amounts have been outstanding. An impairment allowance is set-up based on the Hospital's historical experience regarding collections. The amounts outstanding as at March 31, 2020 are as follows:

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT RISKS AND UNCERTAINTIES, (CONT'D)

	Total	Current	31-60 days	61-90 days	90+ days
Health services \$	148,006 \$	101,729 \$	32,197 \$	9,244 \$	4,836
Grants and others	36,532	25,678	10,717	41	96
HST rebate	78,813	78,813	-	-	-
	263,351	206,220	42,914	9,285	4,932
Allowance for doubtful accounts	(7,500)	-	-	(4,126)	(3,374)
	\$ 255,851 \$	\$ 206,220 \$	\$ 42,914 \$	\$ 5,159 \$	1,558

INTEREST RATE RISK

The Hospital is exposed to interest rate cash flow risk to the extent that its bank indebtedness bears interest at a floating interest rate based on the banks prime rate. The Hospital does not use hedges or derivatives to mitigate this risk. However, the Hospital believes that this risk is low and not material.

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. For the past years, short-term liquidity has been in a deficit position. The Hospital believes that with the continued financial support of the NE LHIN that its current sources of liquidity are sufficient to cover its currently short-term cash obligations. Management believes that long-term cash obligations will be covered by current funders.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2020**

21. RELATED PARTY DISCLOSURES AND INTER-ENTITY TRANSACTIONS

In the normal course of its operations, the hospital has entered in service or purchase agreements with related parties and/or inter-entities.

Transactions carried out by the hospital with related parties and/or inter-entities are carried out at their fair value. Following the analysis of Standard SP2200 and SP3420, no additional disclosure is required.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

SCHEDULE OF NE LHIN

Schedule 1

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
NE LHIN - base allocation	\$ 6,145,047	\$ 6,363,323	\$ 6,150,097
NE LHIN/MOH - other	243,981	265,108	235,746
	\$ 6,389,028	\$ 6,628,431	\$ 6,385,843

SCHEDULE OF AMORTIZATION OF BUILDINGS - NET

Schedule 2

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
Amortization of deferred capital contributions - buildings	\$ (339,926)	\$ (387,055)	\$ (358,250)
Amortization of buildings	357,300	415,346	379,276
	\$ 17,374	\$ 28,291	\$ 21,026

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL**SCHEDULES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2020****SCHEDULE OF OTHER PROGRAMS****Schedule 3**

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
REVENUES			
NE LHIN base allocation	\$ 899,185	\$ 899,185	\$ 899,185
NE LHIN/MOH - other	7,863	18,031	61,323
Amortization of deferred capital contributions - leasehold improvements - detox	18,145	18,145	18,145
Other revenue and paymaster	165,348	152,350	150,600
Municipal taxes	2,775	2,775	2,775
	<u>1,093,316</u>	<u>1,090,486</u>	<u>1,132,028</u>
EXPENSES			
Amortization of leasehold improvements - detox	19,090	19,090	19,090
Amortization of major equipment - detox	5,945	5,945	5,945
Employee benefits	194,552	183,770	186,091
Municipal taxes	2,775	2,775	2,775
Salaries and wages	673,664	681,875	693,437
Supplies and other expenses	197,290	197,976	225,635
	<u>1,093,316</u>	<u>1,091,431</u>	<u>1,132,973</u>
EXCESS OF EXPENSES OVER REVENUES	\$ -	\$ (945)	\$ (945)