

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

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

MARCH 31, 2023

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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 (Hospital), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets (deficiency) 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 Hospital as at March 31, 2023, and its results of 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 Hospital 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 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 Hospital's ability to

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly HKC

Chartered Professional Accountants
Licenced Public Accountants
June 19, 2023

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL
FINANCIAL STATEMENTS
MARCH 31, 2023

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HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL**HOSPITAL OFFICIALS****MARCH 31, 2023**

BOARD OF DIRECTORS**ELECTED OFFICIALS**

Chairperson	Mr. Jean-Marie Couture
Vice-Chairperson	Mrs. Angèle Rochon
Treasurer	Mrs. Diane Bernier
Directors	Mrs. Martine Blanchette Mr. Clément Desrochers Mr. Roger Lafrance Mrs. Kathy Taylor
President of Medical Staff	Vacant
Chief of Staff	Dr. Daniel Lebel (non-voting)

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	Mrs. Melonie Loubert
Chief Financial Officer	Mrs. Nicole Petit
Chief Nursing Officer	Mrs. Eliane Labonté-Bernier
Auditors	Baker Tilly HKC Chartered Professional Accountants

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	2023 Budget (Unaudited)	2023 Actual	2022 Actual
REVENUES			
Ontario Health North, schedule 1	\$ 6,847,434	\$ 7,690,329	\$ 7,227,604
Alternative funding agreement	850,000	872,460	845,665
Differential and co-payment	597,000	548,486	582,103
Recoveries and sundry income	345,669	341,588	312,296
Amortization of deferred capital contributions - equipment	166,895	133,188	153,646
Patient revenues	99,900	100,633	106,820
Gain on disposal of capital assets	-	-	7,000
	<u>8,906,898</u>	<u>9,686,684</u>	<u>9,235,134</u>
EXPENSES			
Salaries and wages	4,765,793	5,901,291	4,789,818
Medical staff remuneration	985,770	1,275,699	994,671
Employee benefits	1,270,286	987,305	1,229,040
Supplies and other expenses	1,892,612	2,106,712	1,762,990
Medical and surgical	100,420	109,800	99,623
Drugs and medicine	83,050	98,383	82,921
Amortization of equipment	177,457	244,491	205,730
Bad debts (recovery)	2,000	1,217	(4,528)
Amortization of buildings - net, schedule 2	37,851	56,832	39,586
	<u>9,315,239</u>	<u>10,781,730</u>	<u>9,199,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS, BEFORE OTHER INCOME AND PROGRAMS	(408,341)	(1,095,046)	35,283
OTHER PROGRAMS, schedule 3	<u>(945)</u>	<u>56</u>	<u>2,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (409,286)</u>	<u>\$ (1,094,990)</u>	<u>\$ 37,339</u>

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2023

	Invested in Capital Assets (Note 12)	Unrestricted Surplus (Net Deficiency)	Total 2023	Total 2022
NET ASSETS (NET DEFICIENCY), BEGINNING OF YEAR	\$ 625,548	\$ (75,424)	\$ 550,124	\$ 512,785
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	(1,094,990)	(1,094,990)	37,339
NET CHANGE INVESTED IN CAPITAL ASSETS (Note 12)	346,005	(346,005)	-	-
NET ASSETS (DEFICIENCY), END OF YEAR	\$ 971,553	\$ (1,516,419)	\$ (544,866)	\$ 550,124

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,059,074	\$ 1,737,551
Accounts receivable (Note 4)	673,875	712,790
Inventories	69,497	76,654
Prepaid expenses	69,807	78,780
	<u>1,872,253</u>	<u>2,605,775</u>
CAPITAL ASSETS (Note 5)	<u>5,773,067</u>	<u>5,114,082</u>
	<u>\$ 7,645,320</u>	<u>\$ 7,719,857</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 2,306,758	\$ 1,695,419
Deferred revenues (Note 8)	500,571	407,290
Current portion of obligation under capital leases	12,700	12,200
	<u>2,820,029</u>	<u>2,114,909</u>
OBLIGATION UNDER CAPITAL LEASES (Note 9)	81,506	94,595
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	4,707,308	4,381,739
POST-EMPLOYMENT BENEFITS PAYABLE (Note 11)	581,343	578,490
	<u>8,190,186</u>	<u>7,169,733</u>
NET ASSETS (DEFICIENCY)		
INVESTED IN CAPITAL ASSETS (Note 12)	971,553	625,548
UNRESTRICTED SURPLUS (NET DEFICIENCY)	<u>(1,516,419)</u>	<u>(75,424)</u>
	<u>(544,866)</u>	<u>550,124</u>
	<u>\$ 7,645,320</u>	<u>\$ 7,719,857</u>

CONTINGENCIES (Note 15)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (Note 16)

On behalf of the board

Director, 

Director, 

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (1,094,990)	\$ 37,339
Items not involving cash:		
Amortization of deferred capital contribution - equipment	(133,188)	(153,646)
Amortization of deferred capital contributions - buildings	(429,714)	(381,574)
Amortization of deferred capital contributions - detox	(19,145)	(19,145)
Amortization of equipment	244,491	205,730
Amortization of buildings	486,546	421,160
Amortization of leasehold improvements - detox	19,090	19,090
Amortization of major equipment - detox	943	6,888
Gain on disposal of capital assets	-	(7,000)
	<u>(925,967)</u>	<u>128,842</u>
Change in:		
Accounts receivable	38,915	621,837
Inventories	7,157	(811)
Prepaid expenses	8,973	(17,782)
Accounts payable and accrued liabilities	611,339	412,066
Deferred revenues	93,281	(74,802)
Post-employment benefits payable	2,853	1,126
	<u>(163,449)</u>	<u>1,070,476</u>
FINANCING ACTIVITIES		
Repayment of obligation under capital leases	(12,589)	(12,087)
Capital contributions received	907,616	804,562
	<u>895,027</u>	<u>792,475</u>
CAPITAL ACTIVITIES		
Capital assets additions	(1,403,636)	(564,774)
Capital project in progress additions	(316,522)	(617,440)
Proceeds from disposal of capital assets	-	7,000
Transfer of capital project in progress to capital assets	310,103	170,123
	<u>(1,410,055)</u>	<u>(1,005,091)</u>
CHANGE IN CASH POSITION	(678,477)	857,860
CASH POSITION, BEGINNING OF YEAR	<u>1,737,551</u>	<u>879,691</u>
CASH POSITION, END OF YEAR	<u>\$ 1,059,074</u>	<u>\$ 1,737,551</u>

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

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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. 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.

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting. 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 Ministry of Health/Ontario Health North 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, donations and other contributions 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 the provincial insurance plans, and uninsured patients, operational revenue and other services and recoveries are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

INVENTORIES

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

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 Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land	Not amortized
Land improvements	2 - 25 years
Buildings	20 - 40 years
Leasehold improvements - detox	25 years
Furnishing and equipment	3 - 20 years
Information technology	3 - 5 years
Capital project in progress	Not amortized

The cost of capital projects in progress is recorded as 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.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the Ministry of Health/Ontario Health North. 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, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

PENSION PLANS AND OTHER RETIREMENT BENEFIT PLANS

The Hospital provides defined retirement and post-employment benefits for certain employee groups and retirees. The benefits include pension, extended health care, 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.

CONTRIBUTED MATERIALS AND SERVICES

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

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 designated its cash as fair value as it is managed and evaluated on a fair value basis.

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 their 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, 2023

2. 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: the allowance for doubtful accounts receivable, the useful life of capital assets, accrued liabilities, actuarial estimation of post-employment benefits, contingencies and revenue recognition of certain restricted contributions. Actual results may differ from management's best estimates as additional information becomes available in the future.

3. 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:

	2023		
	Fair Value	Amortized Cost	Total
Cash	\$ 1,059,074	\$ -	\$ 1,059,074
Accounts receivable	\$ -	\$ 673,875	\$ 673,875
Accounts payable and accrued liabilities	\$ -	\$ (2,306,758)	\$ (2,306,758)
Obligation under capital leases	\$ -	\$ (94,206)	\$ (94,206)
	2022		
	Fair Value	Amortized Cost	Total
Cash	\$ 1,737,551	\$ -	\$ 1,737,551
Accounts receivable	\$ -	\$ 712,790	\$ 712,790
Accounts payable and accrued liabilities	\$ -	\$ (1,695,419)	\$ (1,695,419)
Obligation under capital leases	\$ -	\$ (106,795)	\$ (106,795)

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

3. 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); and,

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).

	Level 1	Level 2	Level 3	Total
Cash	\$ 1,059,074	\$ -	\$ -	\$ 1,059,074

There were no transfers between levels for the year ended March 31, 2023.

4. ACCOUNTS RECEIVABLE

	2023	2022
Health services	\$ 119,270	\$ 166,028
Grants and others	88,032	61,165
HST rebate	134,634	94,818
Ministry of Health/Ontario Health North	333,894	392,779
	675,830	714,790
Allowance for doubtful accounts	(1,955)	(2,000)
	\$ 673,875	\$ 712,790

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land and land improvements	\$ 102,575	\$ 36,781	\$ 65,794	\$ 65,794
Buildings	14,100,365	10,068,200	4,032,165	3,549,320
Leasehold improvements - detox	461,732	221,426	240,306	258,791
Furnishing and equipment	5,015,973	4,305,536	710,437	536,713
Information technology	674,594	626,306	48,288	33,806
Capital project in progress	676,077	-	676,077	669,658
	<u>\$ 21,031,316</u>	<u>\$ 15,258,249</u>	<u>\$ 5,773,067</u>	<u>\$ 5,114,082</u>

During the year, the Hospital wrote-off \$5,549 (2022 - \$nil) in equipment that was obsolete or damaged and fully amortized. During the year, the Hospital disposed of \$nil (2022 - \$70,510) in equipment which resulted in a gain on disposal of capital assets of \$nil (2022 - \$7,000) and a deferred revenue of \$nil (2022 - \$5,000).

6. BANK INDEBTEDNESS

The Hospital has an authorized line of credit of \$150,000 as at March 31, 2023, bearing interest at prime + 1% and is secured by a general security agreement. The Hospital has no outstanding balance as at March 31, 2023 (2022 - \$nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade	\$ 1,093,737	\$ 602,669
Payroll related	793,189	736,977
Accrued liabilities	26,274	22,848
Ministry of Health/Ontario Health North	393,558	332,925
	<u>\$ 2,306,758</u>	<u>\$ 1,695,419</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

8. DEFERRED REVENUES

	2023	2022
Aging at Home Program	\$ 163,959	\$ 154,940
Detox operations	35,790	33,790
EMR upgrade	94,061	94,061
Health Infrastructure Renewal Fund	176,097	90,752
Physician office integration	7,282	7,282
Foundation and others	23,382	26,465
	<u>\$ 500,571</u>	<u>\$ 407,290</u>

Due to the ongoing COVID-19 pandemic restrictions and circumstances, the construction projects funded by the Health Infrastructure Renewal Fund have been delayed and as such, the funding was not fully spent on March 31, 2023. The Hospital obtained approval from the funder to defer this unspent contribution.

9. OBLIGATION UNDER CAPITAL LEASES

	2023	2022
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 a net book value of \$83,852	\$ 94,206	\$ 106,795
Less current portion	12,700	12,200
	<u>\$ 81,506</u>	<u>\$ 94,595</u>

The principal instalments to be paid over the next five fiscal years are as follows:

2024	\$ 12,700
2025	13,250
2026	13,800
2027	14,400
2028	15,000
Subsequent years	<u>25,056</u>
	<u>\$ 94,206</u>

Interest charges of \$4,127 (2022 - \$4,628) were expensed to the accounts of the Hospital.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balances are as follows:

	<u>2023</u>	<u>2022</u>
CAPITAL GRANTS AND CONTRIBUTIONS		
Balance, beginning of year	\$ 16,643,159	\$ 15,838,597
Received in current year	907,616	804,562
Balance, end of year	<u>17,550,775</u>	<u>16,643,159</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(12,261,420)	(11,707,055)
Amortization - buildings	(429,714)	(381,574)
Amortization - leasehold improvement - detox	(19,145)	(19,145)
Amortization - equipment	(133,188)	(153,646)
Balance, end of year	<u>(12,843,467)</u>	<u>(12,261,420)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u>\$ 4,707,308</u>	<u>\$ 4,381,739</u>

Included in the capital grants and contributions received in current year, are donations and grants used for the purchase of capital assets projects that are not fully completed. Contributions used for capital projects in progress are not amortized. These contributions are comprised of:

	<u>2023</u>	<u>2022</u>
Donations	\$ 229,837	\$ 125,000
Health Infrastructure Renewal Fund	17,574	12,068
Ministry of Health	-	219,064
Ontario Health North	411,039	171,853
	<u>\$ 658,450</u>	<u>\$ 527,985</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

11. 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 April 26, 2021 for the year ending March 31, 2021. The actuarial valuation included the estimates for the year ending March 31, 2023 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:

	2023	2022
Accrued employee future benefits obligation	\$ 503,341	\$ 490,737
Unamortized actuarial gain	78,002	87,753
Accrued employee future benefits liability	<u>\$ 581,343</u>	<u>\$ 578,490</u>

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

	2023	2022
Expected obligation, beginning of year	\$ 490,737	\$ 479,165
Unamortized actuarial gain	87,753	98,199
Accrued benefit liability, beginning of year	<u>578,490</u>	<u>577,364</u>
Current service cost	20,900	20,252
Interest on accrued benefit obligation	15,703	15,321
Amortization of actuarial gain	(9,750)	(10,447)
Benefit payments	<u>(24,000)</u>	<u>(24,000)</u>
Benefit expenses and payments	<u>2,853</u>	<u>1,126</u>
	<u>\$ 581,343</u>	<u>\$ 578,490</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

11. 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 13.

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

Discount rate

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 3.21% (2022 - 3.21%) which is the discount rate recommended by the Ministry of Health and Long-Term Care for the year the actuarial valuation was performed, April 26, 2021.

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, 2023 the rate is assumed to be 5.5% (2022 - 6%).

Dental costs

Dental costs remained stable at 4% per annum (2022 - 4%).

12. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 5,773,067	\$ 5,114,082
Obligation under capital leases	(94,206)	(106,795)
Deferred capital contributions	(4,707,308)	(4,381,739)
	<u>\$ 971,553</u>	<u>\$ 625,548</u>

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

12. INVESTED IN CAPITAL ASSETS, (CONT'D)

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

	2023	2022
Amortization of capital assets	\$ (751,070)	\$ (652,868)
Purchase of capital assets	1,403,636	564,774
Amounts funded by deferred capital contributions	(907,616)	(804,562)
Repayment of obligation under capital leases	12,589	12,087
Amortization of deferred capital contributions	582,047	554,365
Capitalization of capital projects in progress	(310,103)	(170,123)
Capital projects in progress additions	316,522	617,440
	\$ 346,005	\$ 121,113

13. 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 \$315,228 (2022 - \$337,968) 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, 2022 indicated that the Plan is fully funded on a solvency basis.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

14. RELATED PARTIES TRANSACTIONS

- (a) 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 \$196,243 (2022 - \$13,081) for the Hospital to purchase equipment.

- (b) The Smooth Rock Falls Hospital Auxiliaries is an independent organism of volunteers which has 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 donated an amount of \$1,810 (2022- \$7,800).

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

15. CONTINGENCIES

- (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, 2023, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. No provision has been made in these financial statements to reflect any of these claims. Any settlements which may arise will be reflected in the financial statements in the year the amount is determined.
- (b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its hospital's 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, 2023.
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HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) 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 \$108,105 in 12 equal monthly instalments. The agreement is effective as of April 1, 2023 and is renewable yearly.
- (b) The Hospital, on behalf of the Cochrane District Detoxification Centre, signed a lease agreement with The Corporation of the Town of Smooth Rock Falls. The Hospital shall pay the Town an annual amount of \$54,955 in monthly payments of \$4,580. The agreement is effective as of April 1, 2020 to March 31, 2025. The annual lease will be increased by 2% each year.
- (c) 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.
- (d) As of March 31, 2023, the Hospital has further contractual obligations remaining of \$786,341 in relation to current capital projects in progress, as follows:

Meditech Expanse (ONE Initiative)	\$ 644,943
Building renovations	\$ 141,398

17. COVID-19 CONTRIBUTIONS

The Hospital has recognized COVID-19 related contributions in the amount of \$811,247 (2022 - \$498,655) in revenues and \$nil (2022 - \$6,960) in deferred capital contributions. These contributions were provided to the Hospital to assist with the increased operating and capital costs resulting from COVID-19 implications.

These restricted contributions are subject to meeting certain eligibility requirements based on agreements and guidelines provided by the funders, the Ministry of Health/Ontario Health North. While the funders have provided guidelines in respect to the amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and interpretation. The contributions are subject to review and reconciliation by the funders and the adjustments, if any, will be repayable to the funders. The adjustments will be recognized in the year in which they become known except in the circumstance that the adjustment qualifies as an error.

Management believes that the Hospital is currently in compliance with all the terms and conditions of these COVID-19 related contributions based on the guidelines provided.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

18. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the Ministry of Health/Ontario Health North. The Hospital's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

The Hospital is exposed to credit risk in the event of non-payment by their debtors for their accounts receivable. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The Hospital is exposed to this risk relating to its cash and accounts receivable.

The Hospital holds its cash accounts with an Ontario Provincial Agency who are 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 (2022 - \$100,000).

Accounts receivable are generally due from patients, insurers, government agencies and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospitals' historical experience regarding collections. The amounts outstanding as at March 31, 2023 are as follows:

	Current	31-60 days	61-90 days	90+ days	Total
Health services	\$ 65,112	\$ 8,540	\$ 1,733	\$ 43,885	\$ 119,270
Grants and others	49,190	19,471	19,371	-	88,032
HST rebate	134,634	-	-	-	134,634
MOH/OH North	332,473	-	-	1,421	333,894
Allowance for doubtful accounts	-	-	-	(1,955)	(1,955)
	\$ 581,409	\$ 28,011	\$ 21,104	\$ 43,351	\$ 673,875

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, 2023

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates and foreign exchange rates as well market price fluctuations of its equity instruments. The Hospital does not use derivative instruments to reduce its exposure market risk. Conservative management is exercised to minimize the impact of the market risk.

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.

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 Ontario Health North 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.

20. NEW ACCOUNTING STANDARDS

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments and PS 3450, Financial Instruments have been adopted on April 1, 2022. Adoption of these new standards had no change on the presentation of these financial statements.

PS 3280, Asset Retirement Obligations, was adopted on April 1, 2022. Asset retirement obligations are legal financial obligations associated with the retirement of capital assets in which a duty or responsibility exists to properly remove or dispose of the capital assets at some future date in time. Management has adopted the modified retroactive application. Management has determined that there are currently no material asset retirement obligation.

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

SCHEDULE OF ONTARIO HEALTH NORTH

Schedule 1

	2023 Budget (Unaudited)	2023 Actual	2022 Actual
Ministry of Health/Ontario Health North - base allocation	\$ 6,600,064	\$ 6,600,864	\$ 6,466,564
Ministry of Health/Ontario Health North - one-time funding	247,370	1,089,465	761,040
	\$ 6,847,434	\$ 7,690,329	\$ 7,227,604

SCHEDULE OF AMORTIZATION OF BUILDINGS - NET

Schedule 2

	2023 Budget (Unaudited)	2023 Actual	2022 Actual
Amortization of deferred capital contributions - buildings	\$ (385,702)	\$ (429,714)	\$ (381,574)
Amortization of buildings	423,553	486,546	421,160
	\$ 37,851	\$ 56,832	\$ 39,586

HÔPITAL DE SMOOTH ROCK FALLS HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

SCHEDULE OF OTHER PROGRAMS

Schedule 3

	2023 Budget (Unaudited)	2023 Actual	2022 Actual
REVENUES			
Ontario Health North base allocation	\$ 899,185	\$ 1,114,724	\$ 923,096
Ontario Health North/MOH - other	8,225	9,975	146,062
Amortization of deferred capital contributions - leasehold improvements - detox	18,145	17,545	17,545
Amortization of deferred capital contributions - major equipment - detox	-	1,600	1,600
Other revenue and paymaster	166,223	159,550	49,401
Municipal taxes	2,775	2,775	2,775
	<u>1,094,553</u>	<u>1,306,169</u>	<u>1,140,479</u>
EXPENSES			
Amortization of leasehold improvements - detox	19,090	19,090	19,090
Amortization of major equipment - detox	943	943	6,888
Employee benefits	191,825	193,130	194,108
Municipal taxes	2,775	2,775	2,775
Salaries and wages	675,290	744,559	712,461
Supplies and other expenses	205,575	345,616	203,101
	<u>1,095,498</u>	<u>1,306,113</u>	<u>1,138,423</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (945)	\$ 56	\$ 2,056