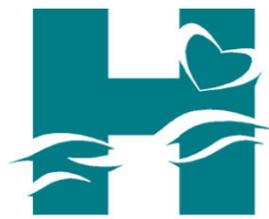

Financial statements of



Perth and
Smiths Falls
District Hospital

March 31, 2022



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Perth and Smiths Falls District Hospital

Opinion

We have audited the financial statements of Perth and Smiths Falls District Hospital (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, its results of operations, its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.



Other Matter

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 25, 2021.

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

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

Auditors' 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 auditors' 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 the 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.



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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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 28, 2022

Perth and Smiths Falls District Hospital

Statement of Financial Position

March 31, 2022

(in thousands of dollars)

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash		3,127	1,928
Accounts receivable	2	4,555	10,779
Prepaid expenses		564	642
Inventories	3	905	972
		<u>9,151</u>	<u>14,321</u>
Capital assets	4	58,797	59,380
Restricted cash	7	2,246	1,459
		<u>70,194</u>	<u>75,160</u>
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued liabilities	6	10,779	8,434
Deferred revenue		375	338
Current portion of long-term debt	7	-	5,665
Current portion of post employment benefits	8	142	142
		<u>11,296</u>	<u>14,579</u>
Long-term debt	7	-	1,134
Post employment benefits	8	1,917	1,835
Deferred capital contributions	9	51,548	52,067
		<u>53,465</u>	<u>55,036</u>
Net assets		5,433	5,545
Commitments and contingencies (note 18)		<u>70,194</u>	<u>75,160</u>

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

On Behalf of the Board:

Director

Director

Perth and Smiths Falls District Hospital

Statement of Operations

For the year ended March 31, 2022

(in thousands of dollars)

	Note	2022 \$	2021 \$
Revenues			
MOH, Ontario Health, Cancer Care Ontario		53,898	51,787
Other patient services		8,715	7,752
Recoveries and other		1,612	1,379
Amortization of deferred capital contributions - equipment		1,428	1,329
		<u>65,653</u>	<u>62,247</u>
Expenses			
Salaries, wages and benefits		39,648	37,904
Medical staff remuneration		8,023	8,183
Medical and surgical supplies		3,841	3,311
Drugs		1,151	1,003
Other supplies and services		11,343	10,143
Interest		92	102
Amortization of equipment		1,555	1,601
		<u>65,653</u>	<u>62,247</u>
Excess of revenue over expenses before the undernoted		-	-
Working capital relief funding	16	-	7,144
Speciality funded program revenue	10	8,338	7,818
Speciality funded program costs	10	7,914	7,677
		<u>424</u>	<u>141</u>
Amortization of deferred capital contributions - building and improvements		2,058	2,059
Amortization of building and improvements		(2,564)	(2,578)
Interest on long-term debt		(30)	(51)
		<u>(536)</u>	<u>(570)</u>
Excess of revenues over expenses (expenses over revenues)		<u>(112)</u>	<u>6,715</u>

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

Perth and Smiths Falls District Hospital
Statement of Changes in Net Assets (Deficiency)
Year ended March 31, 2022
(in thousands of dollars)

	Note	Investment in Capital Assets \$	Unrestricted \$	2022 \$	2021 \$
Net assets (deficiency), beginning of year		7,289	(1,744)	5,545	(1,170)
Excess of revenues over expenses (expenses over revenues)		(633)	521	(112)	6,715
Net change in investment in capital assets	5	2,801	(2,801)	-	-
Net assets (deficiency), end of year		9,457	(4,024)	5,433	5,545

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

Perth and Smiths Falls District Hospital

Statement of Cash Flows

For the year ended March 31, 2022

(in thousands of dollars)

	2022	2021
Note	\$	\$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	(112)	6,715
Changes in non-cash		
Amortization of capital assets	4,119	4,292
Losses on disposal of capital assets	-	35
Amortization of deferred capital contributions	9 (3,486)	(3,496)
	521	7,546
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	6,224	(8,230)
Decrease (increase) in inventories and prepaid expenses	145	(432)
Increase in post employment benefits	82	30
Increase in deferred revenue	37	-
Increase in accounts payable and accrued liabilities	2,345	1,105
	8,833	(7,527)
Cash flows from capital activities		
Purchase of capital assets	(3,536)	(1,743)
Receipt of deferred capital contributions	2,967	2,866
	(569)	1,123
Cashflow from financing activities		
Repayment of long-term debt	(6,799)	(409)
Net increase in cash during the year		
	1,986	733
Cash, beginning of year	3,387	2,654
Cash, end of year	5,373	3,387
Cash comprises of:		
Cash	3,127	1,928
Restricted cash	2,246	1,459
	5,373	3,387

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

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

Nature of Operations

Perth and Smiths Falls District Hospital (the "Hospital") is an acute care community Hospital focused on patient-centered care strengthened with the involvement of the Patient Family Advisory Committee, a compassionate health care team, and solid partnerships throughout the region. The Hospital provides high quality of care at two sites, as well as Lanark County Mental Health and Lanark County Support Services operates in multiple locations serving the residents and their families from the County of Lanark and the United Counties of Leeds and Grenville, and surrounding areas.

The Hospital operates as a public hospital pursuant to The Public Hospitals Act and is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario, in accordance with budget arrangements established by the Ministry of Health (the "MOH") and Ontario Health (the "OH"). The Board of Directors recognizes the Hospital's ongoing dependency on the MOH as the primary funding source for the Hospital's operating activities.

1. Significant accounting policies

Basis of presentation

The financial statements of the Perth and Smiths Falls District Hospital include the activities of Lanark County Mental Health and Lanark County Support Services, and have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 series for government not-for-profit organizations. The more significant accounting policies are summarized as follows:

(a) Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants, under the deferral method of accounting. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Operating grants are recorded as revenue in the period to which they relate. Unspent operating grants that are subject to MOH or OH claw back are recorded as a liability.

Revenue from patient and other services is recognized when the service is provided.

(b) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
Year ended March 31, 2022
(in thousands of dollars)

1. Significant accounting policies (continued)

(d) Capital assets

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated useful life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed.

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, its carrying amount is written down to its residual value.

Capital assets are amortization on a straight-line basis as follows:

Land improvements	3 – 25 years
Buildings	10 – 50 years
Equipment	3 – 25 years
Software and license fees	2 – 5 years

Projects in progress are not amortized until the project is available for productive use.

(e) Retirement and post-employment benefits

The Hospital accrues its obligations for employees benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. These are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 9 years (2021 - 9 years). Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multi-employer defined benefit plan are expensed when due.

The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2021 disclosed actuarial assets of \$114 billion (2020 - \$104 billion) with accrued pension liabilities of \$86 billion (2020 - \$80 billion), resulting in a surplus of \$28 billion (2020 - \$24 billion). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2021 based on the assumptions and methods adopted for the valuation.

(f) Use of estimates

The preparation of the financial statements in accordance with Canada public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of certain revenues and expenses during the reporting period.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

1. Significant accounting policies (continued)

(f) Use of estimates (continued)

Amounts subject to estimates include accounts receivable, certain accounts payable and accrued liabilities, post employment benefit obligations, and the carrying value of capital assets. Actual results could differ from these estimates.

(g) Financial instruments

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

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 incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(h) Statement of Remeasurement Gains and Losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2022.

2. Accounts receivable

	2022	2021
MOH/Ontario Health /Cancer Care Ontario	\$ 1,932	\$ 8,853
Insurers and patients	1,039	605
Perth and Smiths Falls District Hospital Foundation	463	450
Other	1,121	871
Balance, end of year	\$ 4,555	\$ 10,779

(2021 - MOH receivable included one-time working capital funding of \$7,144).

3. Inventories

	2022	2021
Medical and surgical	\$ 493	\$ 381
Other	179	330
Pharmacy	158	183
Laboratory	75	78
Balance, end of year	\$ 905	\$ 972

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

4. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 254	\$ –	\$ 254	\$ 254
Land improvements	1,410	812	598	733
Buildings	91,862	40,874	50,988	53,059
Equipment	31,092	26,141	4,951	4,885
Software and license fees	3,424	3,224	200	164
Projects in progress	1,806	–	1,806	285
	\$ 129,848	\$ 71,051	\$ 58,797	\$ 59,380

Cost and accumulated amortization of capital assets at March 31, 2021 amounted to \$126,149 and \$66,769 respectively.

At March 31, the Hospital's outstanding purchase orders related to Projects in progress were approximately \$588. An additional \$1,031 of expenditures are estimated to complete the approved capital projects.

In fiscal 2021/22 the Hospital received approval from the Ministry of Health to provide Magnetic Resonance Imaging ("MRI") services. The Hospital is in the final stages of the request for proposal phase. The redevelopment project will include installation of a MRI suite at the Smiths Falls Site, and the necessary building modifications with anticipated completion by March 31, 2023. The project is expected to be funded largely through fundraising efforts, and future working capital funds.

The Hospital is currently in the implementation phase of a major information systems project (referred to as "Lumeo RHIS") to replace its current core clinical system over the next four years. The project will be delivered under a "Governance and Master Services Agreement" led by Kingston Health Sciences Centre in partnership with Providence Care, Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smiths Falls District Hospital, and Quinte Health Care Corporation. The partners have gone through a rigorous process of procurement and planning over the past five years and agreed to commence implementation in July 2021. Under the agreement, the Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs. In 2021, the Hospital's Board of Directors approved the project with a total cost of ownership of approximately \$15.2 million over 10 years.

Costs incurred to date of \$852 (2021 - \$113) are included in capital assets on the Statement of Financial Position relating to this project and have been financed using internal resources.

The Hospital is currently developing a financing strategy to support capital costs relating to the project. Future commitments relating to the project are expected to change based on the actual expenses incurred by the project.

5. Capital disclosures

- (a) The Hospital defines capital as unrestricted net assets and investment in capital assets. The Hospital's objective with respect to capital is to fund ongoing operations, capital asset acquisitions and future projects.

The Hospital's overall strategy with respect to capital remains unchanged from the year ended March 31, 2022. The Hospital is not subject to externally imposed capital requirements.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

5. Capital disclosures (continued)

(b) Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 58,797	\$ 59,380
Less: amounts financed by deferred grants and contributions	(49,340)	(50,643)
amounts financed by long-term debt	–	(1,448)
Balance, end of year	\$ 9,457	\$ 7,289

(c) Net change in investment in capital assets is calculated as follows:

	2022	2021
Excess of expenses over revenue		
Amortization of capital assets	\$ (4,119)	\$ (4,292)
Amortization of deferred capital	3,486	3,496
	\$ (633)	\$ (796)

	2022	2021
Net change in investments in capital assets		
Purchase of capital assets	\$ 3,536	\$ 1,743
Amounts funded by deferred contributions	(2,183)	(335)
Repayments of long-term debt	1,448	409
	\$ 2,801	\$ 1,817

6. Accounts payable and accrued liabilities

	2022	2021
Payroll liabilities	\$ 6,010	\$ 5,808
Other accounts payable and accrued liabilities	3,296	2,119
MOH/ Ontario Health /Cancer Care Ontario	1,436	473
Funds held in trust	37	34
Balance, end of year	\$ 10,779	\$ 8,434

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

7. Cash and bank indebtedness

(a) Cash and restricted cash

Restricted cash is comprised of funds retained for the purpose of future capital projects; Lumeo RHIS project, and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

Included in restricted cash is \$323 related to Health Infrastructure Renewal funding that was approved by the ministry to be carried forward to the 2023 fiscal year.

Restricted cash also includes funds held in trust by Lanark County Support Services on behalf of various clients, totaling \$37 (2021 - \$34). The use of the funds and all transactions are independent of Hospital operations.

	2022	2021
Cash	\$ 3,127	\$ 1,928
Restricted cash	2,246	1,459
Balance, end of year	\$ 5,373	\$ 3,387

(b) Indebtedness and long-term debt:

The Hospital has the following bank indebtedness and long-term debt:

	2022	2021
Demand loan, (1.89%)	\$ -	\$ 3,350
Demand loan, (1.50%)	-	2,000
Fixed rate term loan, (3.23%)	-	510
Fixed rate term loan, (3.80%)	-	334
Fixed rate term loan, (2.95%)	-	605
	-	6,799
Less: current portion of long-term debt	-	5,665
Balance, end of year	\$ -	\$ 1,134

In fiscal year 2022, the Hospital received anticipated one-time Ministry restricted working capital relief funding that was applied to indebtedness and long-term debt.

Interest expense on bank loans payable amounted to \$121 as of March 31, 2022 (2021 - \$153).

The Hospital has an operating line of credit to a maximum of \$9,000 with its corporate bankers. At March 31, 2022 The Hospital has \$9,000 in credit facility available (2021 - \$3,650). The operating line of credit is unsecured and bears interest at prime less 1.1%.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

8. Post-Employment benefits

(a) Pension plan

Substantially all of the employees of the Hospital are members of the Healthcare 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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$2,744 (2021 - \$2,646) and are recorded in the Statement of Operations. Pension expense is based on the Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

(b) Non-Pension plans

The Hospital provides extended health care, dental and life insurance benefits to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2021. The next valuation of the plan is effective March 31, 2024.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

Discount rate	3.89% (2021 - 3.21%)
Inflation	2.25% (2021 - 2.25%)
Dental benefits escalation	2.75% (2021 - 2.75%)
Healthcare benefits escalation	4.25% (2021 - 4.25%)

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

8. Post-Employment benefits (continued)

(b) Non-Pension plans (continued)

The continuity of the Hospital's accrued benefit obligations is as follows:

	2022	2021
Accrued benefit obligation, beginning of the year	\$ 2,140	\$ 1,947
Current service cost	101	74
Benefits paid	(106)	(106)
Interest	68	62
Actuarial gain (loss)	(238)	163
Accrued benefit obligation, end of year	\$ 1,965	\$ 2,140

The expense for the year related to these plans is \$187 (2021 - \$136).

Reconciliation of the accrued benefit obligation to the accrued benefit liability is as follows:

	2022	2021
Accrued benefit obligation	\$ 1,965	\$ 2,140
Unamortized actuarial gain (loss)	94	(163)
Accrued benefit liability	2,059	1,977
Less: current portion of benefit liability	142	142
Long-term portion of post-employment benefits	\$ 1,917	\$ 1,835

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

9. Deferred contributions related to operations

Deferred contributions related to operations represent grants provided for a specific operating purpose that have not yet been actualized. These grants have not been taken into revenue.

	2022	2021
Balance, beginning of year	\$ 52,067	\$ 52,697
Add: additional contributions	2,967	2,866
Less: amounts amortized to revenue	(3,486)	(3,496)
Balance, end of year	\$ 51,548	\$ 52,067

The balance of unamortized and unspent funds consists of the following:

	2022	2021
Unamortized capital contributions used to purchase assets	\$ 49,340	\$ 50,643
Unspent contributions	2,208	1,424
	\$ 51,548	\$ 52,067

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

10. Specifically funded programs

The Hospital administers programs which are separately funded. The revenue and expenses related to these programs are recorded separately from the base Hospital operations. With the exception of Lanark County Support Services, these programs are reconciled with the funders on an annual basis.

	2022	2021
Revenues		
Lanark County Mental Health	\$ 3,900	\$ 3,797
Lanark County Support Services	3,963	3,811
Community Paramedicine	459	194
Municipal Taxes	16	16
	<u>\$ 8,338</u>	<u>\$ 7,818</u>
Expenses		
Lanark County Mental Health	\$ 3,900	\$ 3,797
Lanark County Support Services	3,539	3,670
Community Paramedicine	459	194
Municipal Taxes	16	16
	<u>\$ 7,914</u>	<u>\$ 7,677</u>

11. Operating lease

The Hospital has various operating leases and service agreements with future minimum payments. The Hospital has committed to lease from third parties amounting to \$1,179, plus operating costs.

2023	\$ 231
2024	231
2025	231
2026	231
2027 and thereafter	255

12. Related entities

This section addresses disclosure requirements regarding the Hospital's relationships with related entities.

(a) Foundation

The Hospital has an economic interest in the Perth and Smiths Falls District Hospital Foundation (the "Foundation"). The primary purpose of the Foundation is to act as a single fundraiser for the Hospital in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Hospital. The Foundation determines the amount of unrestricted funds that are available for distribution and in collaboration with the Hospital determines how the funds are distributed. The Foundation is incorporated under the Ontario Corporation Act as a not-for-profit organization, without share capital and is a registered charity under the Income Tax Act.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

12. Related entities (continued)

(a) Foundation (continued)

During the year the Foundation provided the Hospital \$1,209 (2020 - \$1,284) to fund capital equipment projects.

(b) Auxiliaries

The Hospital has an economic interest in the Great War Memorial Hospital Auxiliary and the Smiths Falls Community Hospital Auxiliary, (the "Auxiliaries"). The Auxiliaries promote and extends the interests of the Hospital locally. The Hospital does not exercise control or significant influence over the Auxiliaries and consequently these financial statements do not include assets, liabilities and activities of the Auxiliaries. During the year the Auxiliaries provided the Hospital \$20 (2021 - \$24) to fund equipment.

(c) Shared Support Services South Eastern Ontario

The Hospital is a member of a group of six hospitals within the South East LHIN which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, was created to manage the services and provide procurement oversight on the part of the member hospitals. The project has received start-up funding from the Ministry of Finance.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Hospital incurred costs of \$418 (2021 - \$406) to 3SO for governance/operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Hospital signed a commitment to the project through to April 2025. The Hospital has provided a limited guarantee to a maximum of \$47.5 of a \$1,000 line of credit secured by 3SO, representing the Hospital's proportionate share of 4.75%. As at March 31, 2022, 3SO has drawn \$Nil (2021 - \$Nil) on this line of credit.

(d) Shared Digital Imaging Infrastructure Program

The Hospital is a member of a group of several Hospitals and independent health facilities that together have formed a shared digital diagnostic imaging repository. The shared repository enables timely access to diagnostic imaging information and services with the goal of improved health status and quality outcomes for patients. Hospitals Diagnostic Imaging Repository System (HDIRS) is an independent, not-for-profit corporation funded by Ontario Health which manages the development, implementation and operation of the shared system.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

13. Financial instruments and risk management

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the Hospital.

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable. The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2022 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2022 is \$188 (2021 - \$316).

There have been no significant changes to the credit risk exposure from 2021.

(b) Liquidity risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2021.

14. Ministry of Health/Ontario Health pandemic response

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry of Health has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals to redirect unused funding from certain volume-based programs towards COVID-19 costs and other operating pressures through an unearned hospital funds reconciliation.

While the Ministry has provided guidance with respect to the criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Hospital's operations, revenue and expenses. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

14. Ministry of Health pandemic response (continued)

Details of the Ministry one-time funding for COVID-19 recognized as revenue are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses and other	\$ 2,247	\$ 3,894
Funding for assessment centre	508	430
Lost revenue reimbursement	–	894
	<u>\$ 2,755</u>	<u>\$ 5,218</u>

In addition to the above, the Hospital has also recognized \$37 (2021 - \$415) in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

In fiscal 2022, to achieve a balance position, the Hospital recognized \$1,034 (2021- \$1,130) of unearned volume-based funding to offset operational pressures as a result of COVID-19.

15. COVID-19 impacts

In response to COVID-19 and consistent with guidance provided by the Ministry and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations on the basis of continued government support to address the financial challenges related to the pandemic. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

16. Working capital relief funding

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital was eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding be used to reduce the Hospital's working capital deficit and was not to be used for operating purposes. This amount was received in fiscal 2022.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2022

(in thousands of dollars)

17. Commitments and contingencies

(a) Liability insurance

The Hospital is in the final stages of joining the Healthcare Insurance Reciprocal of Canada (the "HIROC"), with membership commencing April 1, 2022. HIROC is a registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other person's reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

(b) Contingencies

The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2022, management believes that the Hospital has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

18. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.