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Financial statements of



Perth and  
Smiths Falls  
District Hospital

March 31, 2023

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## INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



### ***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.

### ***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 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 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 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 27, 2023

**Perth and Smiths Falls District Hospital**

Statement of Financial Position

March 31, 2023

(in thousands of dollars)

	Note	2023 \$	2022 \$
<b>Assets</b>			
Current assets			
Cash		1,343	3,127
Accounts receivable	2	5,758	4,555
Prepaid expenses		1,000	564
Inventories	3	756	905
		8,857	9,151
Capital assets	4	60,424	58,797
Restricted cash	7	470	2,246
		69,751	70,194
<b>Liabilities and net assets</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	16,314	10,779
Deferred revenue		617	375
Current portion of post employment benefits	8	142	142
		17,073	11,296
Post employment benefits	8	1,948	1,917
Deferred capital contributions	9	51,353	51,548
Asset retirement obligations	16	290	-
		53,591	53,465
Net assets (deficiency)		(913)	5,433
		69,751	70,194
Commitments and contingencies	17		

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, 2023

(in thousands of dollars)

		<b>2023</b>	<b>2022</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>			
MOH, Ontario Health, Cancer Care Ontario		56,346	53,898
Other patient services		9,671	8,715
Recoveries and other		2,575	1,612
Amortization of deferred capital contributions - equipment		1,322	1,428
		<b>69,914</b>	<b>65,653</b>
<b>Expenses</b>			
Salaries, wages and benefits		47,187	39,648
Medical staff remuneration		9,114	8,023
Medical and surgical supplies		4,266	3,841
Drugs		1,275	1,151
Other supplies and services		12,233	11,343
Interest		44	92
Amortization of equipment		1,491	1,555
		<b>75,611</b>	<b>65,653</b>
<b>Excess of revenue over expenses before the undernoted</b>		<b>(5,697)</b>	<b>-</b>
Speciality funded program revenue	10	9,050	8,338
Speciality funded program costs	10	8,960	7,914
		90	424
Amortization of deferred contributions - building and improvements		2,021	2,058
Amortization of building and improvements		(2,470)	(2,564)
Interest on long-term debt		-	(30)
		<b>(449)</b>	<b>(536)</b>
<b>Excess of expenses over revenues</b>		<b>(6,056)</b>	<b>(112)</b>

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, 2023  
(in thousands of dollars)

	Notes	Investment in Capital Assets \$	Unrestricted \$	2023 \$	2022 \$
<b>Net assets (deficiency), beginning of year</b>					
As previously stated		9,457	(4,024)	5,433	5,545
Change in accounting policy (note 18)		-	(290)	(290)	-
Net assets (deficiency), beginning of year, as restated		9,457	(4,314)	5,143	5,545
Excess of expenses over revenues		-	(6,056)	(6,056)	(112)
Net change in investment in capital assets	5	47	(47)	-	-
<b>Net assets (deficiency), end of year</b>		<b>9,504</b>	<b>(10,417)</b>	<b>(913)</b>	<b>5,433</b>

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, 2023

(in thousands of dollars)

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Excess of expenses over revenues		(6,056)	(112)
Changes in non-cash			
Amortization of capital assets		3,961	4,119
Gain on disposal of capital assets		(12)	-
Amortization of deferred capital contributions	9	(3,343)	(3,486)
Loss on disposal of deferred capital contributions		(33)	-
		(5,483)	521
<b>Changes in non-cash working capital balances</b>			
Decrease (increase) in accounts receivable		(1,203)	6,224
Decrease (increase) in inventories and prepaid expenses		(287)	145
Increase in post employment benefits		31	82
Increase in deferred revenue		242	37
Increase in accounts payable and accrued liabilities		5,535	2,345
		4,318	8,833
<b>Cash flows from capital activities</b>			
Purchase of capital assets		(5,576)	(3,536)
Receipt of deferred capital contributions		3,181	2,967
		(2,395)	(569)
<b>Cash flow from financing activities</b>			
Repayment of long-term debt		-	(6,799)
<b>Net increase (decrease) in cash during the year</b>			
		(3,560)	1,986
Cash, beginning of year		5,373	3,387
<b>Cash, end of year</b>		<b>1,813</b>	<b>5,373</b>
<b>Cash comprises of:</b>			
Cash		1,343	3,127
Restricted cash		470	2,246
		<b>1,813</b>	<b>5,373</b>

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, 2023

(in thousands of dollars)

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### 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 with 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, operating 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 reasonably 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, 2023**  
(in thousands of dollars)

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**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 8 years (2022 - 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, 2022 disclosed actuarial assets of \$104 billion (2021 - \$114 billion) with accrued pension liabilities of \$93 billion (2021 - \$86 billion), resulting in a surplus of \$11 billion (2021 - \$28 billion). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 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.

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

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

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### 1. Significant accounting policies (continued)

#### (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, 2023.

#### (i) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

### 2. Accounts receivable

	2023	2022
MOH/ Ontario Health /Cancer Care Ontario	\$ 2,029	\$ 1,932
Insurers and patients	1,309	1,039
Perth and Smiths Falls District Hospital Foundation	159	463
Other	2,261	1,121
<b>Balance, end of year</b>	<b>\$ 5,758</b>	<b>\$ 4,555</b>

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

### 3. Inventories

	2023	2022
Medical and surgical	\$ 378	\$ 493
Other	147	179
Pharmacy	154	158
Laboratory	77	75
<b>Balance, end of year</b>	<b>\$ 756</b>	<b>\$ 905</b>

### 4. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 254	\$ –	\$ 254	\$ 254
Land improvements	1,410	946	464	598
Buildings	93,288	43,369	49,918	50,988
Equipment	32,943	27,570	5,373	4,951
Software and license fees	3,448	3,294	154	200
Projects in progress	4,259	–	4,259	1,806
	<b>\$ 135,603</b>	<b>\$ 75,179</b>	<b>\$ 60,424</b>	<b>\$ 58,797</b>

Cost and accumulated amortization of capital assets at March 31, 2022 amounted to \$129,848 and \$71,050 respectively.

At March 31, the Hospital's outstanding purchase orders related to Projects in progress were approximately \$620.

In fiscal 2021/22 the Hospital received approval from the Ministry of Health to provide Magnetic Resonance Imaging Services (referred to as "MRI"). The redevelopment project will include installation of a MRI suite at the Smiths Falls Site, and the necessary building modifications totaling \$6.1 million with anticipated completion by March 31, 2024. The project is expected to be funded largely through fundraising efforts over the next three years.

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. 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 with anticipated implementation fall 2024. 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 \$1,629 (2022 - \$852) 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 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.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

### 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, 2023. The Hospital is not subject to externally imposed capital requirements.

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

	2023	2022
Capital assets	\$ 60,424	\$ 58,797
Less: amounts financed by deferred capital contributions	(50,920)	(49,340)
<b>Balance, end of year</b>	<b>\$ 9,504</b>	<b>\$ 9,457</b>

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

	2023	2022
Excess of expenses over revenue		
Amortization of capital assets	\$ (3,961)	\$ (4,119)
Gain on disposal of capital assets	12	–
Amortization of deferred capital contributions	3,343	3,486
Loss on disposal of deferred capital contributions	33	–
	<b>\$ (573)</b>	<b>\$ (633)</b>

	2023	2022
Net change in investments in capital assets		
Purchase of capital assets	\$ 5,576	\$ 3,536
Amounts funded by deferred capital contributions	(4,956)	(2,183)
Repayments of long-term debt	–	1,448
	<b>\$ 620</b>	<b>\$ 2,801</b>

### 6. Accounts payable and accrued liabilities

	2023	2022
Payroll liabilities	\$ 10,276	\$ 6,010
Other accounts payable and accrued liabilities	4,173	3,296
MOH/OH Cancer Care Ontario	1,828	1,436
Funds held in trust	37	37
<b>Balance, end of year</b>	<b>\$ 16,314</b>	<b>\$ 10,779</b>

**Perth and Smiths Falls District Hospital**  
**Notes to the Financial Statements**  
**Year ended March 31, 2023**  
(in thousands of dollars)

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**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 \$272 related to Health Infrastructure Renewal funding that was approved by the ministry to be carried forward to the 2024 fiscal year.

Restricted cash also includes funds received for the Lumeo RHIS project of \$161 (2022 - \$Nil) as well as funds held in trust by Lanark County Support Services on behalf of various clients, totaling \$37 (2021 - \$37). The use of the funds held in trust and all transactions are independent of Hospital operations.

	<b>2023</b>	<b>2022</b>
Cash	\$ 1,343	\$ 3,127
Restricted cash	470	2,246
<b>Balance, end of year</b>	<b>\$ 1,813</b>	<b>\$ 5,373</b>

The Hospital has an operating line of credit to a maximum of \$9,000 with its corporate bankers. At March 31, 2023, the Hospital has \$8,868 in credit facility available (2022 - \$9,000). The operating line of credit is unsecured and bears interest at prime less 1.1%.

**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 \$2,769 (2022 - \$2,744) 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. The Plan's 2022 Annual Report indicates that the Plan is fully funded at 117%.

**(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.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

### 8. Post-Employment benefits (continued)

#### (b) Non-Pension plans (continued)

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

Discount rate	4.04% (3.89% in 2022)
Inflation	2.25% (2.25% in 2022)
Dental benefits escalation	2.75% (2.75% in 2022)
Healthcare benefits escalation	4.25% (4.25% in 2022)

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

	2023	2022
Accrued benefit obligation, beginning of the year	\$ 1,965	\$ 2,140
Current service cost	90	101
Benefits paid	(123)	(106)
Interest	75	68
Actuarial gain (loss)	38	(238)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 1,968</b>	<b>\$ 1,965</b>

The expense for the year related to these plans is \$154 (2022 - \$187).

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

	2023	2022
Accrued benefit obligation	\$ 1,968	\$ 1,965
Unamortized actuarial gain	121	94
Accrued benefit liability	2,090	2,059
Less: current portion of benefit liability	142	142
<b>Long-term portion of post-employment benefits</b>	<b>\$ 1,948</b>	<b>\$ 1,917</b>

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.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

### 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.

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 51,548	\$ 52,067
Add: additional contributions	3,181	2,967
Less: amounts amortized to revenue	(3,343)	(3,486)
Less: loss on disposal of deferred capital contributions	(33)	–
<b>Balance, end of year</b>	<b>\$ 51,353</b>	<b>\$ 51,548</b>

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

	<b>2023</b>	<b>2022</b>
Unamortized contributions used to purchase capital assets	\$ 50,920	\$ 49,340
Unspent contributions	433	2,208
<b>Balance, end of year</b>	<b>\$ 51,353</b>	<b>\$ 51,548</b>

### 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. Any Ministry funded excess is reconciled with the funders on an annual basis.

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Lanark County Mental Health	\$ 3,964	\$ 3,900
Lanark County Support Services	4,306	3,963
Community Paramedicine	764	459
Municipal Taxes	16	16
	<b>\$ 9,050</b>	<b>\$ 8,338</b>
<b>Expenses</b>		
Lanark County Mental Health	\$ 4,160	\$ 3,900
Lanark County Support Services	4,020	3,539
Community Paramedicine	764	459
Municipal Taxes	16	16
	<b>\$ 8,960</b>	<b>\$ 7,914</b>



**Perth and Smiths Falls District Hospital**

Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

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**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 \$948, plus operating costs.

2024	231
2025	231
2026	231
2027	231
2028	24

**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.

During the year the Foundation provided the Hospital \$1,796 (2022 - \$1,209) 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 \$19 (2022 - \$20) 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 \$361 (2022 - \$418) to 3SO for governance/operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

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### 12. Related entities (continued):

#### (c) Shared Support Services South Eastern Ontario (continued)

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 (2022 - \$Nil) on this line of credit.

On March 29, 2023, 3SO entered into an Asset Purchase Agreement with Mohawk Medbuy Corporation ("MMC"), whereas MMS will substantially purchase all of the assets and liabilities of 3SO, effective April 1, 2023. The members of 3SO approved the dissolution and wind-up of 3SO's legal entity upon finalization of the transaction and certain administrative tasks, which is expected to take place in early summer 2023.

#### (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.

### 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 and other investments. 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, 2023 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, 2023 is \$278 (2022 - \$188).

There have been no significant changes to the credit risk exposure from 2022.

#### (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. As at March 31, 2023, the Hospital's current liabilities exceeded its current assets by \$8,216 (2022 - \$2,145).

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

**Perth and Smiths Falls District Hospital**

Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

**14. Ministry of 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.

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

	<b>2023</b>	<b>2022</b>
Funding for incremental COVID-19 operating expenses and other	\$ 733	\$ 2,247
Funding for assessment centre	92	508
	<b>\$ 825</b>	<b>\$ 2,755</b>

In addition to the above, the Hospital has also recognized \$Nil (2022 - \$37) 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 2023, to achieve a balance position, the Hospital recognized \$1,401 (2022- \$1,034) 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.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

### 16. Asset retirement obligations

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ —	\$ —
Adjustment on adoption of PS 3280 asset retirement obligation standard (note 18)	290	—
Opening balance as restated	290	—
Less: obligations settled during the year	—	—
<b>Balance, end of year</b>	<b>\$ 290</b>	<b>\$ —</b>

### 17. Commitments and contingencies

#### (a) Liability insurance

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (the "HIROC"). 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, 2023, 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.

#### (c) Employment matters

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

# Perth and Smiths Falls District Hospital

## Notes to the Financial Statements

Year ended March 31, 2023

(in thousands of dollars)

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### 18. Change in accounting policies:

On April 1, 2022, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Hospital's asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2022, the Hospital recognized an asset retirement obligation relating to buildings owned by the Hospital that contain asbestos. The buildings were originally purchased or constructed between 1904 and 2012, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 10-50 years, and the estimate has not been changed since purchase or construction.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2022:

- An asset retirement obligation in the amount of \$290, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets (deficiency) of \$290, representing the accumulated amortization expense on the buildings asset and the portion of the liability charged directly to expense for assets no longer in productive use.