

**Perth and Smiths Falls
District Hospital
Financial Statements
March 31, 2021**



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2021;
- 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 the 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, 2021, and its results of operations, its changes in net deficiency and its cash flows 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 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 judgement 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 of 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.




Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
May 25, 2021.

Perth and Smiths Falls District Hospital
Statement of Financial Position
(in thousands of dollars)

March 31	Notes	2021	(Note 14) 2020
		\$	\$
Assets			
Current Assets			
Cash		1,928	1,721
Accounts receivable	2	10,779	2,549
Prepaid expenses		642	499
Inventories	3	972	684
		<u>14,321</u>	<u>5,453</u>
Property, plant and equipment	4	<u>59,380</u>	<u>61,965</u>
Restricted cash	6	<u>1,459</u>	<u>933</u>
		<u>75,160</u>	<u>68,351</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	5	8,772	7,669
Current portion of long term debt	6	5,665	5,755
Current portion of employee future benefits	7	142	119
		<u>14,579</u>	<u>13,543</u>
Long term debt	6	1,134	1,453
Employee future benefits	7	1,835	1,828
Deferred contributions related to capital assets	8	<u>52,067</u>	<u>52,697</u>
		<u>55,036</u>	<u>55,978</u>
Contingencies and Commitments	10		
Net Assets (Deficiency)		<u>5,545</u>	<u>(1,170)</u>
		<u>75,160</u>	<u>68,351</u>



Director



Director

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

Perth and Smiths Falls District Hospital
Statement of Operations
(in thousands of dollars)

For the year ended March 31	Notes	2021	(Note 14) 2020
		\$	\$
Revenues			
MOH / SELHIN / Cancer Care Ontario		51,787	45,194
Other patient services		7,752	8,331
Recoveries and other		1,379	1,858
Amortization of deferred capital equipment contributions	8	1,329	1,383
		62,247	56,766
Expenditures			
Salaries, wages and benefits		37,904	33,732
Medical staff remuneration		8,183	6,937
Medical and surgical supplies		3,311	3,009
Drugs		1,003	1,151
Other supplies and services		10,143	9,082
Interest		102	153
Amortization of equipment		1,601	1,697
		62,247	55,761
Excess of Revenue Over Expenses Before Specialty Programs and Other Revenues		---	1,005
Working capital relief funding	15	7,144	---
Specialty funded program revenue	9	7,818	8,350
Specialty funded program costs	9	(7,677)	(8,018)
		7,285	332
Amortization of deferred contributions		2,059	2,055
Amortization of building and improvements		(2,578)	(2,579)
Interest on long term capital debt		(51)	(75)
		(570)	(599)
Excess of Revenues Over Expenses		6,715	738
Net Deficiency, Beginning of Year		(1,170)	(1,908)
Net Assets (Deficiency), End of Year		5,545	(1,170)

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

Perth and Smiths Falls District Hospital
Statement of Changes in Net Assets (Deficiency)
(in thousands of dollars)

Year Ended March 31	Notes	Investment in Capital Assets	Unrestricted	2021	(Note 14) 2020
		\$	\$	\$	\$
Net Assets (Deficiency), Beginning of Year		8,310	(9,480)	(1,170)	(1,908)
Excess of Revenues Over Expenses		---	6,715	6,715	738
Net Change in Investment in Capital Assets	16	(1,021)	1,021	---	---
Net Assets (Deficiency), End of Year		7,289	(1,744)	5,545	(1,170)

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

Perth and Smiths Falls District Hospital
Statement of Cash Flows
(in thousands of dollars)

For the year ended March 31	Notes	2021	(Note 14) 2020
		\$	\$
Cash Flows Provided From:			
Operating Activities			
Excess of revenues over expenses		6,715	738
Changes in non-cash			
Amortization of capital assets		4,292	4,417
Losses on disposal of capital assets		35	---
Amortization of deferred capital contributions	8	(3,496)	(3,549)
Provision of employee future benefits		30	---
		7,576	1,606
Changes in Non-Cash			
Working Capital Balances			
Increase in accounts receivable		(8,230)	(417)
(Increase) decrease in inventories and prepaid expenses		(432)	5
Increase in accounts payable and accrued liabilities		1,103	592
		(7,559)	180
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,743)	(2,026)
Receipt of deferred capital contributions		(524)	(749)
		(2,267)	(2,775)
Cash Flows from Financing Activities			
Repayment of long term debt		(409)	(894)
Increase in deferred capital contributions		2,866	2,098
		2,457	1,204
Net Increase in Cash, During the Year		207	215
Cash, Beginning of Year		1,721	1,506
Cash, End of Year		1,928	1,721

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

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

(in thousands of dollars)

March 31, 2021

Description of Organization

The Perth and Smiths Falls District Hospital (the 'Hospital') is a community hospital with sites in both the towns of Perth and Smiths Falls operating as a public hospital pursuant to The Public Hospitals Act. The Hospital is principally involved in providing health care services to the residents from the County of Lanark and the United Counties of Leeds and Grenville.

The Hospital was formed on March 31, 1995 by amalgamation of the Great War Memorial Hospital of Perth District (GWM Site) and the Smiths Falls Community Hospital (Smiths Falls Site). It 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.

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 the 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 ('PSAB for Government NPO's') and include the following significant accounting policies.

(a) Revenue Recognition

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and 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 the South East Local Health Integration Network (the 'SELHIN'). Operating grants are recorded as revenue in the period to which they relate. 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.

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 incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related asset.

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

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

1. Significant Accounting Policies / continued

(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 stated at the lower of average cost or net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

(d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement. Contributed assets are recorded at fair market value.

Projects in progress are not amortized until the project is complete and the facilities or equipment come into use.

Amortization is provided on the straight-line basis based on the estimated useful life of the asset calculated as follows:

Land Improvements	3 - 25 years
Buildings	10 - 50 years
Building Service Equipment	5 - 25 years
Furniture and Equipment	3 - 20 years

In the year of acquisition, amortization is pro-rated based on the date of service.

When conditions indicate a tangible capital asset no longer contributes to the Hospital's ability to provide services, or that the failure of future economic benefits associated with the tangible capital asset is less than its net book value, the asset will be reduced to reflect the decline in the asset's value.

(e) Employee Post-Retirement Benefits

The Hospital accrues its obligations for employee future 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) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation and 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 nine years.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

1. Significant Accounting Policies / continued

(e) Employee Post-Retirement Benefits / continued

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. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to future employer contributions to the Plan for past employee service.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian 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 reported amounts of revenues and expenses for the reporting period.

Accounts involving significant estimates include accounts receivable, capital assets, certain accounts payable and accrued liabilities, and employee future benefits. Actual results could differ from management's estimates as additional information becomes available in the future. These estimates are reviewed periodically and, as adjustments come necessary, they are reported in the periods in which they become known.

(g) Financial Instruments

All financial instruments reported on the Statement of Financial Position of the Hospital are measured as follows:

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

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 in fair value is determined to be other than temporary, the amount of the loss is recognized 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.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

2. Accounts Receivable

MOH / SELHIN / Cancer Care Ontario receivable includes one time working capital relief funding.

	2021	2020
	\$	\$
MOH / SELHIN / Cancer Care Ontario	8,852	143
Insurers and patients	605	1,136
Perth and Smiths Falls District Hospital Foundation	450	213
Other	872	1,057
	10,779	2,549

3. Inventories

	2021	2020
	\$	\$
Medical and Surgical	381	339
Other	330	100
Pharmacy	183	163
Laboratory	78	82
	972	684

4. Property, Plant and Equipment

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	254	---	254	254
Land Improvements	1,410	677	733	868
Building	91,367	38,308	53,059	54,874
Equipment	29,513	24,628	4,885	4,967
Software and License Fees	3,320	3,156	164	188
Projects in Progress	285	---	285	814
	126,149	66,769	59,380	61,965

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

5. Accounts Payable and Accrued Liabilities

	2021	2020
	\$	\$
Payroll liabilities	5,808	4,867
Other accounts payable and accrued liabilities	2,119	2,046
MOH / SELHIN / Cancer Care Ontario	473	394
Deferred contributions or revenue	338	329
Funds held in trust	34	33
Balance, End of Year	8,772	7,669

6. Cash and Bank Indebtedness

(a) Cash and Restricted Cash

Restricted cash is comprised of funds retained for the purpose of future capital equipment, the Health Information System project, and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

Restricted cash also includes funds held in trust by Lanark County Support Services on behalf of various clients, totalling \$34 (2020 - \$33). The use of funds and all transactions are independent of Hospital Operations.

	2021	2020
	\$	\$
Cash	1,928	1,721
Restricted Cash	1,459	933
Balance, End of Year	3,387	2,654

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

6. Cash and Bank Indebtedness / continued

(a) Indebtedness of Long Term Debt

The Hospital has the following bank indebtedness and long term debt.

	2021	2020
	\$	\$
Demand loan, (1.89%), due June 2021	3,350	3,350
Demand loan, (1.50%), due July 2021	2,000	2,000
Fixed rate term loan, (2.83%), due May 2020	---	102
Fixed rate term loan, (3.23%), due May 2023	510	661
Fixed rate term loan, (3.80%), due November 2023	334	379
Fixed rate term loan, (2.95%), due March 2024	605	716
	6,799	7,208
Less: current portion of long term debt	5,665	5,755
Balance, End of Year	1,134	1,453

The Hospital is committed to the principal payment on long term debt over the next three years approximately as follows:

	\$
2022	5,665
2023	325
2024	809

Interest expense on bank loans payable amounted to \$153 as of March 31, 2021 (2020 - \$228).

The Hospital has an operating line of credit to a maximum of \$9.0 million with its corporate bankers. At March 31, 2021 the Hospital has \$3,650 in credit facility available (2020 - \$3,650). The operating line of credit is unsecured and bears interest at prime less 1.1%.

7. Employee Pension and Future Benefits

(a) Pension Plan

The Hospital is a member of the Healthcare of Ontario Pension Plan (the 'Plan'), which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during top five consecutive years prior to retirement, termination or death that provide the highest earnings. The Hospital's contributions to the Plan during the year amounts to \$2,646 (2020 - \$2,454) and are included in the statement of operations and change in net deficiency.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

7. Employee Pension and Future Benefits / continued

(a) Pension Plan / continued

The Plan's assets consist of investment grade securities. Market and credit risk of these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2020 indicated the plan is fully funded on a solvency basis.

(b) Future Benefits

The Hospital provides extended healthcare, dental and life insurance to certain employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of employee future benefits was completed as at March 31, 2021.

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

Discount rate	3.21% (3.18% in 2020)
Inflation	2.25% (2.25% in 2020)
Dental benefits escalation	2.75% (2.75% in 2020)
Healthcare benefits escalation	4.25% (4.25% in 2020)

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

	2021	2020
	\$	\$
Accrued benefit obligation, beginning of year	1,947	1,947
Current service cost	74	119
Benefits paid	(106)	(119)
Interest	62	---
Actuarial loss	163	---
Accrued benefit obligation, end of year	2,140	1,947

The future benefit expense for the period is \$136 (2020 - \$119).

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

7. Employee Pension and Future Benefits / continued

(b) Future Benefits / continued

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

	2021	2020
	\$	\$
Accrued benefit obligation	2,140	1,947
Unamortized actuarial loss	(163)	---
Accrued benefit liability	1,977	1,947
Less: current portion of benefit liability	142	119
Long term portion of employee future benefits	1,835	1,828

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.

8. Deferred Capital Contributions

Deferred contributions represent unspent externally restricted funding for specific programs received in the current and / or prior year that relate to a subsequent period.

	2021	2020
	\$	\$
Balance, beginning of year	52,697	54,148
Add: additional contributions	2,866	2,098
Less: amounts amortized to revenue	(3,496)	(3,549)
Balance, end of year	52,067	52,697

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

9. 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 operations funding of the Hospital and any excess or deficiency of revenue over expenses is settled with the funders on an annual basis.

	2021	2020
	\$	\$
Revenue		
Lanark County Mental Health	3,797	3,768
Lanark County Support Services	3,811	4,510
Community Paramedicine	194	56
Municipal Taxes	16	16
	7,818	8,350
Expenses		
Lanark County Mental Health	3,797	3,766
Lanark County Support Services	3,670	4,180
Community Paramedicine	194	56
Municipal Taxes	16	16
	7,677	8,018

10. Contingencies and Commitments

(a) The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. While there may be exceptional circumstances, management believes that the Hospital has valid defences and appropriate insurance coverages in place for claims as at March 31, 2021 and that in the event claims are successful, it is not expected to have a material effect on the Hospital's financial position.

(b) The Hospital has various operating leases and service agreements with future minimum payments. The Hospital has committed to lease from third parties amounting to \$1,307, plus operating costs.

	\$
2022	219
2023	209
2024	209
2025	209
2026 and thereafter	461

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

11. Related Entities

(a) Foundation

The Hospital has an economic interest in the newly formed Perth and Smiths Falls District Hospital Foundation which is an amalgamation of the Great War Memorial Hospital of Perth District Foundation, and the Smiths Falls Community Hospital Foundation, (the 'Foundation'), effective February 1, 2021. The Foundation's primary purpose is promoting and participating in fundraising activities in order to raise funds for capital projects of the Hospital. The Foundation is incorporated under the Ontario Corporation Act as a not-for-profit organization, without share capital. It is a charitable public foundation.

The net asset and results from operations of the Foundation are independent of the statements of the Hospital. The Hospital did receive donations amounting to \$1,284 (2020 - \$843) from the Foundations.

(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 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.

The net assets and results from operations of the Auxiliaries are independent of the statements of the Hospital. The Hospital did receive donations amount to \$24 (2020 - \$20) from the Auxiliaries.

(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 (the '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. The four year project implementation period commenced with the signing of a transfer payment agreement in March 2008 and was completed in 2012.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Corporation 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.

The Hospital signed an initial ten year commitment that was renewed in 2017 for an additional five year term expiring June 2024, and has provided a limited guarantee up to a maximum of \$47.5 thousand of a \$1 million line of credit secured by 3SO, representing the Hospital's proportionate share of 4.75%. As at March 31, 2021 3SO had drawn \$Nil (2020 - \$Nil) on the line of credit, of which the Hospital guarantees \$Nil (2020 - \$Nil).

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

11. Related Entities / continued

(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.

12. 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 receivables. The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts.

(b) Interest Rate Risk

Interest rate risk relates to the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that the Hospital will be unable to fulfil its obligations on a timely basis or at a reasonable cost. 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 fulfil its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

(d) Establishing Fair Value

The carrying value of cash, short term investments, accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

The fair value of long term debt is not materially different from their carrying values.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

13. Pandemic Response

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ('COVID-19') as a pandemic which has resulted in a series of public health emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Hospital has tracked expenditures related to its pandemic response and received funding. This funding is subject to adjustment as a result of reconciliation processes performed by the Ministry.

The duration and impact of COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact of the severity and length of the pandemic.

14. Comparative Figures

Certain prior year's figures have been reclassified to conform to the financial statement presentation adopted in the current year.

15. Working Capital Relief Funding

In March 2021, the Hospital was advised of eligibility for one time working capital relief funding to improve its adjusted working capital funds deficit position. The funding is restricted in use to reducing the Hospital's working capital deficit and cannot be used to fund operating or capital expenditures. This funding is subject to adjustment as a result of reconciliation processes performed by the Ministry.

16. 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, 2020. The Hospital is not subject to externally imposed capital requirements.

Perth and Smiths Falls District Hospital
Notes to the Financial Statements
(in thousands of dollars)

March 31, 2021

16. Capital Disclosures / continued

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

	2021	2020
	\$	\$
Capital Assets	59,380	61,965
Less: amounts financed by deferred grants and contributions	(52,067)	(52,697)
amounts financed by long term debt	(1,448)	(1,858)
Add: cash restricted for investment in capital assets	1,424	900
Balance, End of Year	7,289	8,310

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

	2021	2020
	\$	\$
Purchase of Capital Assets	1,743	2,026
Change in Cash Restricted for Investment in Capital Assets	524	749
Deferred Contributions Received	(2,866)	(2,098)
Amortization of Deferred Grants and Contributions Related to Capital Assets	3,496	3,549
Loss on Disposal of Capital Assets	(35)	---
Amortization of Capital Assets	(4,292)	(4,417)
Principal Repayment of Long Term Debt Incurred for Purchase of Capital Assets	409	894
Balance, End of Year	(1,021)	703

Investment held for capital purchases related to funding received and restricted for the purpose of capital expenditures. The funds are held with the Hospital's bank and are classified as long term as the associated cash outflow is not expected to occur within one year.