

The Stevenson Memorial Hospital
Financial Statements
For the year ended March 31, 2022

The Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2022

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Independent Auditor's Report

To the Board of Directors of The Stevenson Memorial Hospital

Opinion

We have audited the financial statements of The Stevenson Memorial Hospital ("the Hospital"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2022, and its financial performance 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants, Licensed Public Accountants
Barrie, Ontario
June 1, 2022

The Stevenson Memorial Hospital Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 4)	\$ 7,292,312	\$ 5,157,736
Accounts receivable - Ministry of Health / Ontario Health	1,537,488	2,647,626
Accounts receivable - other	1,027,876	1,190,105
Receivable from Stevenson Memorial Hospital Foundation (Note 11)	156,021	312,728
Inventory of supplies	318,410	303,221
Prepaid expenses	637,136	490,884
Deferred lease asset	65,722	71,760
	11,034,965	10,174,060
Deferred lease asset	-	26,703
Property, buildings and equipment (Note 3)	13,593,337	13,548,492
	13,593,337	13,575,195
	\$ 24,628,302	\$ 23,749,255
Liabilities and Net Assets		
Current		
Current portion of long-term bank borrowings (Note 7)	\$ 193,320	\$ 187,655
Accounts payable and accrued liabilities	7,752,024	7,364,687
Deferred revenue (Note 5)	306,043	193,109
	8,251,387	7,745,451
Long-term bank borrowings (Note 7)	1,151,353	1,344,673
Accrued post-employment benefits (Note 8)	541,648	541,648
Deferred contributions related to buildings and equipment (Note 6)	13,848,685	13,306,360
	15,541,686	15,192,681
	23,793,073	22,938,132
Contingencies and commitments (Note 9)		
Uncertainty due to COVID-19 (Note 14)		
Net Assets		
Unrestricted	835,229	811,123
	\$ 24,628,302	\$ 23,749,255

On behalf of the Board

Director
John Murray, Board Chair

Director
Jeff Stubbs, Treasurer

**The Stevenson Memorial Hospital
Statement of Operations and Net Assets**

For the year ended March 31	2022	2021
Revenues		
Ministry of Health / Ontario Health (Note 2)	\$ 31,535,021	\$ 29,018,687
MOH & Ontario Health - Lost Revenue	-	503,840
Other Provincial programs	846,440	1,231,589
Other agencies and self-pay	3,735,903	3,135,887
Recoveries and sales	1,038,584	980,853
Amortization of deferred contributions for equipment (Note 6)	1,363,419	1,024,438
	<u>38,519,367</u>	<u>35,895,294</u>
Expenses		
Salaries and wages	18,140,635	16,983,357
Employee benefits	4,972,319	4,352,734
Medical staff remuneration	3,608,662	3,335,871
Medical and surgical supplies	1,695,395	1,585,907
Drugs	785,012	688,186
Other supplies and expenses	6,960,355	6,531,587
Other Provincial programs	846,440	1,231,589
Amortization of equipment	1,462,204	1,160,901
	<u>38,471,022</u>	<u>35,870,132</u>
Excess of revenues over expenses before building amortization	48,345	25,162
Amortization of deferred contributions for buildings (Note 6)	525,655	497,108
Amortization of buildings	<u>(549,894)</u>	<u>(522,270)</u>
Excess of revenues over expenses for the year	24,106	-
Net assets, beginning of year	<u>811,123</u>	<u>811,123</u>
Net assets, end of year	<u>\$ 835,229</u>	<u>\$ 811,123</u>

The Stevenson Memorial Hospital Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 24,106	\$ -
Adjustments for		
Amortization of buildings and equipment	2,012,098	1,683,171
Amortization of deferred contributions related to buildings and equipment	(1,889,074)	(1,521,546)
Cash flows from operations before non-cash working capital balances	147,130	161,625
Changes in non-cash working capital balances		
Accounts receivable - Ministry of Health / Ontario Health	1,110,138	(2,553,379)
Accounts receivable - other	162,229	(324,108)
Receivable from Stevenson Memorial Hospital Foundation	156,707	346,216
Inventory of supplies	(15,189)	(15,834)
Prepaid expenses	(146,252)	27,560
Deferred lease asset	32,741	32,741
Accounts payable and accrued liabilities	387,337	1,312,246
Deferred revenue	112,934	(545,529)
Cash provided by operating activities	1,947,775	(1,558,462)
Cash flows from capital and financing activities		
Repayments on bank loan	(187,655)	(182,157)
Increase in deferred contributions related to buildings and equipment	2,431,399	4,453,009
Net purchase of buildings and equipment	(2,056,943)	(3,190,325)
Cash provided by capital and financing activities	186,801	1,080,527
Net (decrease) increase in cash during the year	2,134,576	(477,935)
Cash and cash equivalents, beginning of year	5,157,736	5,635,671
Cash and cash equivalents, end of year	\$ 7,292,312	\$ 5,157,736

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements The financial statements of The Stevenson Memorial Hospital (the Hospital) are the responsibility of management.

Nature of the Organization The Hospital is a vibrant community hospital 45 minutes from Toronto providing excellent, high quality health care services to a fast-growing population in New Tecumseth and the South Simcoe region. The Hospital, incorporated without share capital under the Corporations Act (Ontario), is a charitable organization within the meaning of the Income Tax Act (Canada) and may issue tax receipts to donors. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Presentation The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

Contributed Services Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Revenue Recognition The Hospital follows the deferral method of accounting for contributions which include donations and grants.

Under the Health Insurance Act and Regulations thereto, the Hospital operations are funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (MOH) and Ontario Health Central (OHC).

As required by OHC, the Hospital entered into a Hospital Service Accountability Agreement (H-SAA) that took effect April 1, 2008 and has been amended to March 31, 2023. This agreement sets out the rights and obligations of the parties to the H-SAA in respect to funding provided to the Hospital by OHC. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas. Effective April 1, 2016 with consultation from OHC, the Hospital exited from the Health Based Allocation Model (HBAM) and re-entered the Small Hospital Funding Model.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

If the Hospital does not meet its performance standards or obligations, OHC has the right to adjust funding received by the Hospital. OHC is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of OHC funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Revenue from patient services is recognized when the service is provided. Revenue from parking and food sales is recognized when the goods are sold and services provided.

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 that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of property, buildings and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, buildings and equipment.

Inventory of Supplies

Inventory of supplies is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis for pharmacy and laboratory. Cost for medical and general supplies is determined using a weighted average basis.

Property, Buildings and Equipment

Assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition, construction or development of the asset.

Purchased property, buildings and equipment are recorded at cost. Contributed property, buildings and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. Betterments that extend the estimated life of an asset are capitalized. When a property, building or a piece of equipment no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the asset is less than its net book value, its carrying value is reduced to reflect the decline in the asset's value.

Property, buildings and equipment are amortized on a straight-line basis over their useful lives, which have been estimated as follows:

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Property, Buildings and Equipment (continued)	Land improvements	8 to 25 years
	Building and building service equipment	5 to 40 years
	Major equipment	3 to 20 years
	Computer hardware and software	2 to 5 years
	Health Information System Project (HIS)	10 years

Costs directly involved in hospital redevelopment are capitalized.

Work in progress costs, including the Health Information System (HIS Phase 2) and hospital redevelopment, are not amortized until construction or software implementation is substantially complete and the assets are ready for use.

Leases

The Hospital currently only has leases that are classified as operating leases wherein rental payments are expensed on a straight-line basis.

Post-Employment Benefits

The Hospital provides defined post-employment benefits to certain employee groups. These benefits include health, dental and life insurance.

The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income or expense over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

The costs of the multi-employer defined benefit plan are the Hospital's contributions due to the plan in the period.

Financial Instruments

Cash and cash equivalents, accounts receivable, amounts due from Stevenson Memorial Hospital Foundation and accounts payable and accrued liabilities are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

The cash flows of the financial instruments held by the Hospital are fixed or variable. The incremental benefit of fair value measurement for cash is very limited and therefore has not been used.

Transaction costs related to financial instruments are added to the carrying value of the instrument.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with a duration of less than twelve months from the date of acquisition.

Management Estimates

The preparation of financial statements in accordance with PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of allowance for doubtful accounts, actuarial estimation of the liability for post-retirement benefits and compensated absences, estimated useful life of capital assets, amortization of defined capital contributions, pay equity accrual and fair value disclosure. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. COVID-19 Ministry of Health and Long Term Care Funding

In response to the ongoing COVID-19 pandemic the MOH has announced funding programs to assist hospitals with incremental operating and capital costs as well as revenue decreases as a result of COVID-19.

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve, and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. This guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement of uncertainty associated with the MOH revenue related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

3. Property, Buildings and Equipment

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 25,809	\$ -	\$ 25,809	\$ -
Land Improvements	789,381	441,637	764,113	415,189
Buildings	5,824,077	2,941,427	5,699,961	2,743,234
Building Service Equipment	9,502,380	6,030,647	8,801,588	5,705,394
Major Equipment	21,080,465	18,723,620	20,370,158	18,052,964
Computer Hardware and Software	3,094,244	2,909,974	2,795,261	2,462,749
Health Information System (HIS)	3,443,199	1,147,733	3,443,199	803,413
	43,759,555	32,195,038	41,900,089	30,182,943
Work in Progress				
Hospital Redevelopment	1,686,368	-	1,601,803	-
HIS (Phase Two)	248,774	-	107,064	-
Other Projects	93,678	-	122,479	-
	\$ 45,788,375	\$ 32,195,038	\$ 43,731,435	\$ 30,182,943
 Net book value		\$ 13,593,337		\$ 13,548,492

The MOH Capital Planning Branch requires hospitals to fund their costs associated with redevelopment prior to approval being granted. The Hospital is in receipt of a \$1 million planning grant which contains recovered costs and future planning costs. Although the funds have been received neither a formal funding letter nor formal project approval has been received. Upon formal project approval, funding of future costs will be guaranteed; before such time it is at the discretion of the MOH Capital Planning Branch to decide whether or not to reimburse these costs (Note 6). Direct costs of Hospital personnel dedicated to this planning process are included in hospital redevelopment costs. Given the nature and level of redevelopment planning activities in the year \$42,630 of internal salaries were capitalized.

HIS refers to the Hospital's new health information system that was implemented in 2018-19. Phase one is now complete with phase two in progress. Phase two consists of Patient Portal, Web Ambulatory Care, Physician Documentation and Provider Order Sets.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

4. Banking Facilities

The Hospital has an operating line of credit to a maximum of \$1,500,000 as of March 31, 2022 the Hospital has drawn \$Nil (2021 - \$Nil). This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

The Hospital has a revolving demand loan facility to a maximum of \$2,000,000 as of March 31, 2022, the Hospital has drawn \$Nil (2021 - \$Nil). This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

Effective March 22, 2017, in order to finance the Hospital's share of the purchase and implementation costs of the new Health Information System, the Hospital entered into a new credit facility providing a non-revolving demand/fixed rate-term loan, to a maximum of \$5,500,000. As of March 31, 2022, the Hospital has drawn \$1,983,367 (2021 - \$Nil). This credit facility bears interest at the bank's prime rate and is repayable in blended payments over a maximum period of 120 months following an initial 12 months of interest-only (at the Hospital's option) from date of the first draw. At the Hospital's discretion, any portion of the line may be converted to a fixed rate-term loan available in terms of 1-5, 7 and 10 years' subject to the same maximum amortization period as above. Effective interest rates on any fixed-term loan are to be determined at the time of advance or conversion with interest charged in arrears. Once per calendar year the Hospital shall have the right to make a prepayment not exceeding 15% of the outstanding facility balance at the time of the prepayment. Refer to note 7 for balance outstanding.

The Hospital has a foreign exchange forward contract facility which provides the Hospital with the ability to settle a daily maximum of up to US\$300,000 for the purpose of making payments to its US based HIS software supplier. Limits of the facility are subject to replacement risk factors in existence at the time of booking. At March 31, 2022 there are no outstanding contracts.

The Hospital has a corporate credit card with an authorized limit of \$450,000. As of March 31, 2022 the Hospital has drawn \$268,548 (2021 - \$428,397).

The banking facilities are unsecured and are with a Schedule 1 bank.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

5. Deferred Revenue

Included in deferred revenue of \$306,043 (2021 – \$193,109) is \$100,000 MOH Health Infrastructure Renewal Fund that has been deferred in order to complete projects in 2022-23. The underspending is a direct result of COVID-19.

6. Deferred Contributions Related to Buildings and Equipment

Deferred contributions related to buildings and equipment represents the unamortized balance of contributions received for the purchase of buildings and equipment. These restricted contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related assets.

	2022	2021
Balance, Beginning of Year	\$13,306,360	\$ 10,374,897
Add: Contributions Received During the Year		
Stevenson Memorial Hospital Foundation	838,955	1,274,000
MOH (HIRF)	667,357	573,606
MOH (COVID-19)	200,234	1,099,627
OHC (ICU)	-	493,746
OHC (Redevelopment)	-	1,000,000
OHC (Surgical Innovation Fund)	429,126	-
OHC (IT Projects)	243,492	-
OHC (Metal Health)	37,235	-
Other	15,000	12,030
Less Amounts Amortized to Revenue for Equipment	(1,363,419)	(1,024,438)
Less Amounts Amortized to Revenue for Buildings	(525,655)	(497,108)
	\$13,848,685	\$ 13,306,360

7. Long-Term Bank Borrowings

Summary

	2022	2021
HIS Fixed Rate Term Loan (a)	\$ 95,296	\$ 92,686
HIS Fixed Rate Term Loan (b)	98,024	94,969
	\$ 193,320	\$ 187,655
HIS Fixed Rate Term Loan (a)	\$ 611,863	\$ 707,159
HIS Fixed Rate Term Loan (b)	539,490	637,514
	\$ 1,151,353	\$ 1,344,673

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2022

7. Long-Term Bank Borrowings (continued)

- (a) At March 31, 2022, \$707,159 (2021 - \$799,845) was outstanding as a fixed rate term loan bearing an interest rate of 2.78%. The current payments are based on a 10-year amortization and subject to change in the bank's prime rate. This facility is repayable up to 15% once every calendar year non-cumulative. As at March 31, 2022, the Hospital was deemed to be in full compliance with its loan covenants and has received assurances from the bank that no demand for repayment shall be made in the next 12 months.

Principal repayments for the next 3 years and thereafter are as follows:

	HIS (a)
2023	\$ 95,296
2024	97,979
2025	100,738
Thereafter	413,146
	<hr/>
	\$ 707,159
	<hr/>
Interest Paid	\$ 21,061

- (b) At March 31, 2022 \$637,514 (2021 - \$732,483) was outstanding as a fixed rate term loan bearing an interest rate of 3.17%. Payments are based on a 10-year amortization with blended payments. The loan matures March 25, 2023. Principal repayments for the next year and thereafter are as follows:

	HIS (b)
2023	\$ 98,024
Thereafter	539,490
	<hr/>
	\$ 637,514
	<hr/>
Interest Paid	\$ 21,848

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

8. Accrued Post-Employment Benefits

The Hospital provides post-employment extended healthcare and dental benefits to a number of retired employees until the age of 65. From January 1, 2002, retiring Ontario Nursing Association (ONA) members are eligible for post-employment benefits, the cost of which is borne entirely by them; that is, ONA members electing coverage will pay 100% of the associated premium. This premium is typically lower than the actual cost of retiree benefits due to their higher rates of utilization. The premiums paid by retiring ONA members, therefore may not be sufficient to cover the actual costs of the benefits. This may result in an increased obligation, which generates a past service cost to the Hospital.

From April 1, 2011 full-time ONA members who reach age 57 and retire on or after April 1, 2011 are eligible for post-employment benefits and the Hospital will contribute 50% of the billed premiums of these benefit plans. The Hospital provides Ontario Public Service Employees Union (OPSEU) members who retire after age 60 with semi-private, extended health and dental benefits. OPSEU members electing coverage will pay 50% of the associated premium.

The Hospital also provides post-employment life insurance coverage to a number of employees.

The last actuarial report was conducted in March 2022 to estimate the Hospital's accrued benefit obligation relating to post-employment benefits plans. At March 31, 2022, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$541,648 (2021 - \$541,648).

During the year, actual payments for extended healthcare and dental premiums of \$7,800 (2021 - \$6,630) were made for retired employees.

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

Discount rate	3.70% per annum
Extended healthcare cost escalation	4.3% in 2022; decreasing to 4% over 20 years
Dental benefits cost escalation	4.9% in 2022; decreasing to 4% over 20 years

9. Contingencies and Commitments

Contingent Liabilities

i) During the normal course of operations, various proceedings and claims are filed against the Hospital. The Hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies or by accrued provisions in these financial statements based on its best estimates where insurance is not applicable. It is management's opinion that the final determination of these claims will not have a material effect on the financial position or future results of operations of the Hospital.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

9. Contingencies and Commitments (continued)

ii) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. No assessments have been received during the year ended March 31, 2022.

iii) The Hospital has an obligation to maintain pay equity under the Ontario Pay Equity Act. In 2014 a settlement was reached between the hospital and the union (Ontario Public Service Employees Local 360) to proceed with the pay equity maintenance process. Similarly, the Ontario Hospital Association has been engaged on behalf of participating hospitals to resolve the union (Ontario Nurses Association) pay equity dispute. At year end a liability of \$1,129,048 (2021 - \$977,304) has been recorded in the financial statements. Key assumptions used to estimate the accrual are that retroactive pay would not be assessed beyond 2011 and that pay equity would not exceed a 1% increase, these assumptions are susceptible to change. It is currently not possible for the Hospital to predict the final outcome of the pay equity process. The related provisions are measured at management's best estimate of the potential expenditure. The Hospital could be exposed to a potential liability that is lower or in excess of the amount accrued.

10. Healthcare of Ontario Pension Plan (HOOPP)

HOOPP provides pension services to 419,627 active, retired and deferred members and 624 employers. Substantially all of the full-time employees and some of the part-time employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due.

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date.

The results of the most recent valuation as at December 31, 2021 disclosed a surplus of \$28.5 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$188.6 million in respect of benefits accrued for service with actuarial assets at that date of \$217.1 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital to HOOPP during the year amounted to \$1,460,965 (2021 - \$1,383,203).

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

11. Related Entities

Stevenson Memorial Hospital Foundation (Foundation)

The Foundation is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act (Canada). The Foundation receives and maintains funds for charitable purposes, which it contributes to the Hospital for the purchase of equipment, information systems, infrastructure, and renovations to the Hospital.

Amounts received from the Foundation are externally restricted. Accordingly, these contributions are deferred and amortized as revenue when the related assets are amortized to expense. During the year ended March 31, 2022, the Foundation approved funding requests from the Hospital totaling \$840,082 (2021 - \$1,274,000) for equipment, information systems, infrastructure and renovations for the Hospital. At March 31, 2022, \$114,460 in capital funding and \$41,561 in trade receivables is due from the Foundation (2021 - \$278,620 capital and \$34,108 trade receivables). The Foundation committed \$1,232,000 for purchase of capital of which \$392,198 has been deferred in order to implement the telephone and paging system in 2022-23.

All transactions with related parties are recorded at the exchange amount.

12. Financial Instrument Risk Management

Credit Risk

Credit Risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash equivalents and accounts receivable. The Hospital holds its cash and cash equivalents accounts with a Schedule 1 bank which is insured by the Canadian Deposit Insurance Corporation. In the event of a default, the Hospital's cash accounts are insured up to \$100,000 (2021 - \$100,000).

For patient accounts receivable, the Hospital maintains an allowance for doubtful accounts, which reduces the receivable to its estimated realizable value. The receivable is adjusted on a monthly basis. Accounts receivable are primarily due from OHIP, the MOH/OHC and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

Interest Rate Risk

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

The Hospital is exposed to interest rate risk from the possibility that changes in interest rates will affect the cash flows related to its banking facilities.

At March 31, 2022 a 1% move in interest rates, with all other variables held constant, would have a minimal impact on the cash flows related to the Hospital's banking facilities.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2022

12. Financial Instrument Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow planning and by ensuring appropriate banking facilities are in place. (see Note 4 and 7)

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

13. Economic Dependence

The Hospital is economically dependent on the funding it receives from the MOH/OHC. The Hospital derives approximately 82% (2021 – 82%) of its annual funding from the MOH and OHC.

14. Uncertainty Due to COVID-19

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and increases in operating costs. Throughout the 2021-22 fiscal year the hospital has followed direction from the MOH on gradually re-opening and/or reducing services as the province navigated through COVID-19 uncertainty.

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14. Uncertainty Due to COVID-19 (continued)

a) Current year transactions:

For the year ended March 31, 2022, the Ministry of Health of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenses of \$3,643,071 and has recognized \$5,618,952 of revenue from these programs. These amounts have been recorded in other funding and salary, benefits, & medical and surgical supplies in the statement of operations and net assets.

b) Subsequent events related to COVID-19:

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.
