

Financial Statements of

**DEEP RIVER AND DISTRICT
HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Deep River and District Hospital

Opinion

We have audited the accompanying financial statements of Deep River and 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 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 Deep River and District Hospital as at March 31, 2023, and its results of operations, its changes in net assets and its cash flows for the period 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 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 responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022 as a result of a change in accounting policy. In our opinion, such adjustments are appropriate and have been properly applied



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 Responsibility 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.

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.



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- 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 represents 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

Sudbury, Canada
June 28, 2023

DEEP RIVER AND DISTRICT HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|---------------|---------------|
| Revenue: | | |
| Ministry of Health / Ministry of Long-Term Care | \$ 13,954,369 | \$ 11,297,778 |
| Patient services | 869,233 | 817,727 |
| Resident revenue | 291,373 | 308,007 |
| Differential and co-payment revenue | 74,864 | 241,735 |
| Other income and recoveries | 649,311 | 641,139 |
| Amortization of deferred capital contributions | 620,184 | 637,292 |
| | 16,459,334 | 13,943,678 |
| Expenses: | | |
| Salaries, wages and benefits | 9,222,121 | 8,322,162 |
| Medical staff remuneration | 2,927,390 | 2,655,631 |
| Medical and surgical supplies | 248,708 | 261,439 |
| Drugs and medical gases | 221,264 | 159,397 |
| Other supplies and expenses | 4,339,940 | 2,977,973 |
| Amortization - equipment | 436,167 | 449,558 |
| | 17,395,590 | 14,826,160 |
| Deficiency of revenue over expenses before undernoted items | (936,256) | (882,482) |
| Ministry of Health / Ministry of Long-Term Care pandemic funding (note 16 & note 17) | 1,087,655 | 1,216,749 |
| Excess of revenue over expenses from operations | 151,399 | 334,267 |
| Amortization - buildings | (438,175) | (348,031) |
| Amortization - deferred capital contributions for buildings | 92,704 | 55,636 |
| Interest on long-term debt | - | (9,905) |
| Excess (deficiency) of revenue over expenses | \$ (194,072) | \$ 31,967 |

See accompanying notes to financial statements

DEEP RIVER AND DISTRICT HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

| | 2023 | 2022 (restated - see note 2) |
|------------------------------------|----------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 5,157,547 | \$ 1,915,326 |
| Accounts receivable (note 4) | 2,404,678 | 1,384,680 |
| Inventory | 41,029 | 51,247 |
| Prepaid expenses | 87,700 | 85,559 |
| | <u>7,690,954</u> | <u>3,436,812</u> |
| Other receivables (note 5) | 231,576 | 81,802 |
| Capital assets (note 6) | 10,598,821 | 8,926,812 |
| | <u>\$ 18,521,351</u> | <u>\$ 12,445,426</u> |

Liabilities, Deferred Contributions and Net Assets

| | | |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | \$ 5,136,463 | \$ 3,343,007 |
| Deferred revenue | 256,383 | 218,927 |
| | <u>5,392,846</u> | <u>3,561,934</u> |
| Asset retirement obligation (note 9) | 256,563 | - |
| Deferred capital contributions (note 8) | 11,373,242 | 7,190,720 |
| | <u>17,022,651</u> | <u>10,752,654</u> |
| Net assets | 1,498,700 | 1,692,772 |
| Commitments and contingencies (note 11) | | |
| | <u>\$ 18,521,351</u> | <u>\$ 12,445,426</u> |

See accompanying notes to financial statements

On behalf of the Board:

DS Cox 

 Member of the Board

C KAISER 

 Member of the Board

DEEP RIVER AND DISTRICT HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|--------------|----------------------------|
| | | (restated - see Note 2) |
| Net assets, beginning of year | \$ 1,692,772 | \$ 1,212,190 |
| Adjustment to net assets for the change in useful life of the building | - | 448,615 |
| Net assets as restated | 1,692,772 | 1,660,805 |
| Excess (deficiency) of revenue over expenses | (194,072) | 31,967 |
| Net assets, end of year | \$ 1,498,700 | \$ 1,692,772 |

See accompanying notes to financial statements

DEEP RIVER AND DISTRICT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenses | \$ (194,072) | \$ 31,967 |
| Adjustments for: | | |
| Amortization of capital assets | 874,342 | 797,589 |
| Amortization of deferred capital contributions | (712,888) | (692,928) |
| | (32,618) | 136,628 |
| <u>Change in non-cash working capital (note 9)</u> | <u>818,991</u> | <u>1,114,669</u> |
| | 786,373 | 1,251,297 |
| Cash flows from investing activities: | | |
| Increase in other receivables | (149,774) | - |
| Purchase of capital assets | (2,289,788) | (1,649,765) |
| Donations and grants received for purchases of capital assets | 4,895,410 | 809,439 |
| | <u>2,455,848</u> | <u>(840,326)</u> |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | - | (403,189) |
| | - | (403,189) |
| Net increase in cash | 3,242,221 | 7,782 |
| Cash and cash equivalents, beginning of year | 1,915,326 | 1,907,544 |
| <u>Cash and cash equivalents, end of year</u> | <u>\$ 5,157,547</u> | <u>\$ 1,915,326</u> |

See accompanying notes to financial statements

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

Deep River and District Hospital (the "Organization") is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act. The Organization provides health care for the Deep River, Ontario area. These financial statements include the operational activities of the Deep River and District Hospital, the North Renfrew Family Health Team, and the Four Seasons Lodge Long-Term Care Home.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Organization is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/Ministry of Long-Term Care ("MOH" and "MOLTC") and the Ontario Health East. 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 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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. 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 capital assets.

Revenue from provincial insurance plans and preferred accommodations, including patient services, differential and co-payment revenue, specifically funded programs, and other income and recoveries, are recognized when the goods are sold or the service is provided.

(b) Inventories:

Inventories consisting of drugs and various radiology and medical supplies are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits with chartered banks and cashable guaranteed investment certificates.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) Capital assets and amortization:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:

| | |
|-------------------|-----------------|
| Land improvements | 20 years |
| Buildings | 20 - 70 years |
| Equipment | 2.5 to 20 years |

Capital expenditures for construction projects in progress are not amortized until construction is complete and the asset is put into service. Land is not amortized.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Organization uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

Within the March 31, 2023 the Hospital assessed the useful life of the assets and determined the useful life of the buildings should be change to 20-70 years. The change to the estimate was reflected in the 2023 financial statements.

(e) Funding adjustments:

The Organization receives grants from Ontario Health East ("OHE"), Ministry of Health / Ministry of Long-Term Care ("MOH" and "MOLTC") for specific services. Should any amounts be repayable, the funding adjustment would be charged to operations in the period in which it is determined to be payable. Should programs and activities incur a deficit, the Organization records any recoveries thereon in the period in which collection is received.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operation. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from accumulated remeasurement gains and recognized in the statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, valuation of financial instruments; and assets and obligations related to employee future benefits and asset retirement obligations. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) 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.

A liability for the removal of asbestos-containing materials in certain Hospital facilities has been recognized based on estimated future expenses. 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 recorded within the financial statements is recognized in the Statement of Operations at the time of remediation occurs.

2. Change in accounting policies:

On April 1, 2022, the Organization 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 certain Organization facilities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Concurrent with the adoption of the standard, the Organization changed the estimated useful life of the buildings to a range of 20-70 years (previously 20-40 years).

On April 1, 2022, the Organization recognized an asset retirement obligation relating to facilities owned by the Hospital that contain asbestos. The building was originally constructed in 1958, and the liability was measured as of the date of purchase of the building, when the liability was created. The building originally had an expected useful life of 40 years, which was changed in 2023 to 70 years. The impact of the change in the useful life of the net assets was adjusted through net assets as of April 1, 2022.

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

- An increase of \$448,615 to the net book value of the building as a result of a decrease to the accumulated amortization on the building representing the original estimate of the obligation as of the date of purchase, and the impact of the change in the estimated useful life of the building. The amount added to the building for the original estimate of the asset retirement obligation was \$256,562 and the resulting impact of the change in the estimated useful life of the asset was \$482,215.
- An asset retirement obligation in the amount of \$256,562, representing the estimated cost of remediation as at that date; and
- A increase to the opening investment in capital assets of \$448,615 to reflect the decreased accumulated amortization of the building as a result of the impact of the change in the estimated useful life of the building.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Cash and cash equivalents:

Included in cash and cash equivalents is a cashable guaranteed investment certificate in the amount of \$3.08 million which matures on September 16, 2023 bearing interest at 5%.

4. Accounts receivable:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Deep River District Hospital Foundation | \$ 97,198 | \$ 40,822 |
| Deep River and District Physiotherapy Centre | 220,336 | 219,336 |
| Ministry of Health | 1,219,514 | 558,522 |
| Insurers, patients and other | 1,087,966 | 882,719 |
| | <u>2,625,014</u> | <u>1,701,399</u> |
| Less allowance for doubtful accounts | (220,336) | (316,719) |
| | <u>\$ 2,404,678</u> | <u>\$ 1,384,680</u> |

5. Other receivables:

Amounts included within other receivables are advances to three physicians for recruitment purposes. The advances are non-interest bearing with no specified terms of repayment.

6. Capital assets:

| 2023 | Cost | Accumulated Amortization | Net Book Value |
|--------------------------|----------------------|-----------------------------|----------------------|
| Land | \$ 1 | \$ - | \$ 1 |
| Land improvements | 283,948 | 195,399 | 88,549 |
| Buildings | 10,453,028 | 5,175,319 | 5,277,709 |
| Equipment | 9,809,333 | 6,352,755 | 3,456,578 |
| Construction in progress | 1,775,984 | - | 1,775,984 |
| | <u>\$ 22,322,294</u> | <u>\$ 11,723,473</u> | <u>\$ 10,598,821</u> |

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Capital assets (continued):

| 2022 | Cost | Accumulated Amortization | Net Book Value (restated – see note 2) |
|--------------------------|----------------------|-----------------------------|---|
| Land | \$ 1 | \$ – | \$ 1 |
| Land improvements | 283,948 | 187,651 | 96,297 |
| Buildings | 9,181,179 | 4,743,963 | 4,437,216 |
| Equipment | 8,714,516 | 5,917,517 | 2,796,999 |
| Construction in progress | 1,596,299 | – | 1,596,299 |
| | \$ 19,775,943 | \$10,849,131 | \$ 8,926,812 |

Land was purchased for a nominal value of \$1 from the Town of Deep River in 1974.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$101,171 (2022 - \$93,803), which include amounts for payroll related matters.

8. Deferred capital contributions:

| | 2023 | 2022 |
|------------------------------------|----------------------|---------------------|
| Balance, beginning of year | \$ 7,190,720 | \$ 7,074,209 |
| Contributions received | 4,895,410 | 809,439 |
| | 12,086,130 | 7,883,648 |
| Less: amounts amortized to revenue | (712,888) | (692,928) |
| Balance, end of year | \$ 11,373,242 | \$ 7,190,720 |

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

| | 2023 | 2022 |
|------------------------------------|----------------------|---------------------|
| Unamortized deferred contributions | \$ 7,698,443 | \$ 7,190,720 |
| Unspent contributions | 3,674,799 | – |
| | \$ 11,373,242 | \$ 7,190,720 |

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Change in non-cash working capital items:

| | 2023 | 2022 |
|---|----------------|--------------|
| Decrease (increase) in accounts receivable | \$ (1,019,998) | \$ 1,346,244 |
| Decrease (increase) in inventory | 10,218 | (5,397) |
| Increase in prepaid expenses | (2,141) | (28,005) |
| Increase (decrease) in accounts payable and accrued liabilities | 1,793,456 | (258,173) |
| Increase in deferred revenue | 37,456 | 60,000 |
| | \$ 818,991 | \$ 1,114,669 |

10. Asset retirement obligation:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in the building owned by the Hospital. 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 | 256,563 | — |
| Opening balance, as restated | 256,563 | — |
| Less: current portion reported in accounts payable and accrued liabilities | — | — |
| Balance, end of year | \$ 256,563 | \$ — |

11. Commitments and contingencies:

(a) Legal matters and litigation:

The Organization is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Commitments and contingencies (continued):

(b) Employment matters:

During the normal course of operation, the Organization 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.

On November 29, 2022 the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be null and void and of no effect. On December 29, 2022, the Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Organization has recorded liabilities based in subsequent settlement amounts and management estimate of potential settlement amounts.

(c) HealthCare Insurance Reciprocal of Canada:

The Organization is a member of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2023, no assessments have been received by the Organization.

12. Pension plan:

All full-time and certain part-time employees of the Organization are members of the Healthcare of Ontario Pension Plan, which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members receive benefits based on the length of service and on the average annualize earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing assets in trust and through the plan investment policy.

Pension expense is based on Plan managements' best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, 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 the employer contributions to the Plan to remain a constant percentage of employees' contributions.

The most recent actuarial valuation filed with pension regulators as at December 31, 2022 indicated an actuarial surplus of \$10.9 billion. The Organization made contributions to the Ontario Pension Plan for the year ending March 31, 2023 of \$597,050 (2022 - \$520,548) which are included as an expenditure in the statement of operations.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Related entities:

- (a) The objective of the Deep River and District Hospital Auxiliary is to raise and receive funds to be distributed towards various programs and capital projects of the Organization. The Auxiliary is a non-profit organization created under the laws of Ontario and is a registered charity under the Income Tax Act.
- (b) The Deep River and District Hospital Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Organization. The Foundation is a non-profit organization incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act.

Included in deferred contributions relating to capital assets are donations from the Deep River and District Hospital Foundation in the amount of \$6,000 (2022 - \$6,000).

Included in other income and recoveries are administrative fees charged to the Deep River and District Hospital Foundation in the amount of \$25,000 (2022 - \$25,000).

Included in accounts receivable is an amount of \$97,197 (2022 - \$40,822) relating to administrative fees and expense recoveries.

- (c) The Deep River and District Physiotherapy Centre was established to provide Physiotherapy services to the community. The Deep River and District Physiotherapy Centre is a nonprofit organization incorporated under the Ontario Corporations Act.

Included in accounts receivable is an amount to the Physiotherapy Centre of \$220,336 (2022 - \$219,336) relating to administrative fees and expense recoveries.

14. Demand line of credit:

The Organization has an unutilized demand operating line of credit with the Bank of Nova Scotia authorized to a maximum of \$500,000, which bears interest at the bank's prime lending rate. The line of credit is secured by a general security agreement. As of March 31, 2023 there was \$Nil drawn on this line of credit.

15. Financial risks and concentration of risk:

- (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2023 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

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

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Financial risks and concentration of risk (continued):

(b) Liquidity risk:

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

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

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

(c) Currency risk:

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

16. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH 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 MOH is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

Management had developed an estimate of MOH revenue for COVID-19 based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Organization's operations, revenues and expenses. As a result of Management's estimation process, the Organization has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future adjustments by the MOH based on their determination of eligible funding, the Organization has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to management's estimate of MOH revenues will be reflected in the Organization's financial statements in the year of settlement.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Ministry of Health pandemic funding (continued):

Details of the MOH funding for COVID-19 recognized as revenue are summarized below:

| | 2023 | 2022 |
|--|------------|------------|
| Funding for incremental COVID-19 operating expenses | \$ 568,872 | \$ 665,245 |
| Funding for temporary pandemic pay | - | 28,600 |
| Funding for revenue losses resulting from COVID-19 | - | 43,783 |
| Other COVID funding | - | 36,671 |
| | 568,872 | 774,299 |
| Less: provision for future changes to funding programs | - | - |
| | \$ 568,872 | \$ 774,299 |

In addition to the above, the Organization has also recognized \$Nil (2022 - \$Nil) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Ministry of Long-Term Care pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOLTC has announced a number of funding programs intended to assist with infection prevention and control measures undertaken during the fiscal year.

Management has developed an estimate of MOLTC revenue for COVID-19 based on the most recent guidance provided by MOLTC and the impacts of COVID-19 on the Organization's operations, revenues and expenses. As a result of Management's estimation process, the Organization has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOLTC. However, given the potential for future adjustments by the MOLTC based on their determination of eligible funding, the Organization has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to management's estimate of MOLTC revenues will be reflected in the Organization's financial statements in the year of settlement.

Details of the MOLTC funding for COVID-19 recognized as revenue are summarized below:

| | 2023 | 2022 |
|--|------------|------------|
| Funding for infection prevention and control | \$ 518,783 | \$ 353,039 |
| Funding for temporary pandemic pay increases | - | - |
| Funding for PSW temporary wage enhancement funding | - | 48,911 |
| Funding for testing adherence | - | 40,500 |
| | 518,783 | 442,450 |
| Less: deferred testing adherence funding to be spent in the next fiscal year | - | - |
| | \$ 518,783 | \$ 442,450 |

In addition to the above, the Organization has also recognized \$Nil (2022 - \$53,556) in MOLTC funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

DEEP RIVER AND DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

18. Segmented information:

The Organization provides a wide range of services to its patients, operating multiple facilities and programs in the course of its operations.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1. Certain facilities and programs that have been separately disclosed in their segmented information, along with the service they provide, are as follows:

Hospital Operations

Hospital Operations consist of a 16-bed hospital providing care for the residents of the Town of Deep River and surrounding communities.

Four Seasons Lodge

Four Seasons Lodge consists of a 14-bed long-term care facility providing care for the residents of the Town of Deep River and surrounding communities.

North Renfrew Family Health Team

The Organization operates a Family Health Team, funded by the Ministry of Health, which provides care to the residents of the Town of Deep River and surrounding communities.

DEEP RIVER AND DISTRICT HOSPITAL

Schedule to Note 18 - Segmented Information

Year ended March 31, 2023

| | Hospital Operations | Four Seasons Lodge | Family Health Team | 2023 |
|---|------------------------|--------------------------|--------------------------|---------------|
| Revenue: | | | | |
| Ministry of Health / Ministry of Long-Term Care | \$ 10,711,296 | \$ 1,111,650 | \$ 2,131,423 | \$ 13,954,369 |
| Patient services | 869,233 | - | - | 869,233 |
| Resident revenue | - | 291,373 | - | 291,373 |
| Differential and co-payment revenue | 74,864 | - | - | 74,864 |
| Other income and recoveries | 572,991 | 75,173 | 1,147 | 649,311 |
| Amortization of deferred capital contributions | 603,367 | 16,817 | - | 620,184 |
| | 12,831,751 | 1,495,013 | 2,132,570 | 16,459,334 |
| Expenses | | | | |
| Salaries, wages and benefits | 6,674,959 | 1,513,285 | 1,033,877 | 9,222,121 |
| Medical staff remuneration | 2,177,711 | 17,120 | 732,559 | 2,927,390 |
| Medical and surgical supplies | 189,124 | 13,534 | 46,050 | 248,708 |
| Drugs and medical gases | 221,264 | - | - | 221,264 |
| Other supplies and expenses | 3,635,966 | 363,660 | 340,314 | 4,339,940 |
| Amortization - equipment | 427,502 | 8,665 | - | 436,167 |
| | 13,326,526 | 1,916,264 | 2,152,800 | 17,395,590 |
| Deficiency of revenue over expenses | | | | |
| before undernoted items | (494,775) | (421,251) | (20,230) | (936,256) |
| Ministry of Health / Ministry of Long-Term Care pandemic funding (note 16 and note 17) | 568,872 | 518,783 | - | 1,087,655 |
| Excess (deficiency) of revenue over expenses from operations | 74,097 | 97,532 | (20,230) | 151,399 |
| Amortization - buildings | (404,922) | (33,253) | - | (438,175) |
| Amortization - deferred capital contributions for buildings | 88,154 | 4,550 | - | 92,704 |
| Excess (deficiency) of revenue over expenses | \$ (242,671) | \$ 68,829 | \$ (20,230) | \$ (194,072) |

DEEP RIVER AND DISTRICT HOSPITAL

Schedule to Note 18 - Segmented Information

Year ended March 31, 2023

| | Hospital Operations | Four Seasons Lodge | Family Health Team | 2022 |
|---|------------------------|--------------------------|--------------------------|---------------|
| Revenue: | | | | |
| Ministry of Health / Ministry of Long-Term Care | \$ 8,254,292 | \$ 1,013,050 | \$ 2,030,436 | \$ 11,297,778 |
| Patient services | 817,727 | - | - | 817,727 |
| Resident revenue | - | 308,007 | - | 308,007 |
| Differential and co-payment revenue | 241,735 | - | - | 241,735 |
| Other income and recoveries | 614,480 | 14,559 | 12,100 | 641,139 |
| Amortization of deferred capital contributions | 620,957 | 16,335 | - | 637,292 |
| | 10,549,191 | 1,351,951 | 2,042,536 | 13,943,678 |
| Expenses: | | | | |
| Salaries, wages and benefits | 5,863,516 | 1,486,179 | 972,467 | 8,322,162 |
| Medical staff remuneration | 1,917,998 | 17,120 | 720,513 | 2,655,631 |
| Medical and surgical supplies | 151,711 | 46,219 | 63,509 | 261,439 |
| Drugs and medical gases | 159,397 | - | - | 159,397 |
| Other supplies and expenses | 2,375,031 | 323,766 | 279,176 | 2,977,973 |
| Amortization - equipment | 442,412 | 7,146 | - | 449,558 |
| | 10,910,065 | 1,880,430 | 2,035,665 | 14,826,160 |
| Excess (deficiency) of revenue over expenses before undernoted items | (360,874) | (528,479) | 6,871 | (882,482) |
| Ministry of Health / Ministry of Long-Term Care pandemic funding (note 16 and note 17) | 774,299 | 442,450 | - | 1,216,749 |
| Excess (deficiency) of revenue over expenses from operations | 413,425 | (86,029) | 6,871 | 334,267 |
| Amortization - buildings | (314,778) | (33,253) | - | (348,031) |
| Amortization - deferred capital contributions for buildings | 51,086 | 4,550 | - | 55,636 |
| Interest on long-term debt | (9,905) | - | - | (9,905) |
| Excess (deficiency) of revenue over expenses | \$ 139,828 | \$ (114,732) | \$ 6,871 | \$ 31,967 |