

SMOOTH ROCK FALLS HOSPITAL

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2018



Eric G. Gagnon Professional Corporation
Noël G. Cantin Professional Corporation
Julie A. Lemieux CPA, CA
Martine Lemaire-Mignault CPA, CA
Daniel D. Gagné CPA, CA
Chad Lauzon CPA, CA

Collins Barrow
Gagné Gagnon Bisson Hébert
Chartered Professional Accountants
1021 George, Box 637
Hearst, Ontario P0L 1N0
T: 705.362.4261
F: 705.362.4641
www.collinsbarrow.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Smooth Rock Falls Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Smooth Rock Falls Hospital, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 for Government Not-for-Profit Organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Smooth Rock Falls Hospital as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions about the Hospital's ability to continue as a going concern.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Professional Accountants
Licenced Public Accountants
May 28, 2018

SMOOTH ROCK FALLS HOSPITAL

HOSPITAL OFFICIALS

MARCH 31, 2018

BOARD OF DIRECTORS

ELECTED OFFICIALS

Chairperson	Mrs. Diana Brunet
Vice-Chairperson	Mrs. H�el�ene Poirier
Treasurer	Mrs. Joanne Landry
Directors	Dr. Daniel Lebel (non-voting) Dr. Dave Turineck (non-voting) Mrs. Denise Pelletier Ms. Am�elie Pelletier Mrs. Nicole Poulin Mrs. Alayne Couture Mrs. Martine Blanchette Mr. Cl�ement Desrochers

ADMINISTRATIVE PERSONNEL AND CONSULTANTS

Chief Executive Officer	Mr. Fabien H�ebert
Chief Financial Officer	Mrs. Maryse Gauvin - H�opital Notre Dame Hospital
Chief Nursing Officer	Mrs. Chantal Tessier
Director Paramedical/Support Services	Ms. M�elonie Loubert
Auditor	Collins Barrow - Gagn� Gagnon Bisson H�ebert Chartered Professional Accountants

**SMOOTH ROCK FALLS HOSPITAL
FINANCIAL STATEMENTS**

MARCH 31, 2018

Statement of Operations	1
Statement of Changes in Net Assets (Net Liabilities)	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 21
Schedules to Financial Statements	22 - 23

SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
REVENUES			
NE LHIN, schedule 1	\$ 6,043,828	\$ 6,277,984	\$ 6,677,381
Alternative funding agreement	784,676	789,051	789,410
Differential and co-payment	626,500	538,851	620,039
Recoveries and sundry income	421,590	556,580	530,651
Amortization of deferred capital contributions			
- equipment	56,188	116,938	87,006
Patient revenues	90,000	98,642	107,739
Gain on sale of capital assets	-	1,700	-
	<u>8,022,782</u>	<u>8,379,746</u>	<u>8,812,226</u>
EXPENSES			
Salaries and wages	4,023,662	4,147,511	3,964,750
Medical staff remuneration	912,057	915,706	918,124
Employee benefits	1,154,649	1,175,930	1,066,269
Supplies and other expenses	1,616,716	1,777,653	1,992,120
Medical and surgical	72,000	70,982	65,823
Drugs and medicine	108,450	98,733	103,843
Amortization of equipment	136,248	186,414	161,030
Bad debts	4,000	1,481	4,993
Amortization of buildings - net, schedule 2	633	19,612	20,443
	<u>8,028,415</u>	<u>8,394,022</u>	<u>8,297,395</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) FROM OPERATIONS, BEFORE OTHER PROGRAMS	<u>(5,633)</u>	<u>(14,276)</u>	<u>514,831</u>
OTHER PROGRAMS, SCHEDULE 3			
Revenues	1,061,801	1,131,800	1,064,365
Expenses	<u>(1,062,691)</u>	<u>(1,132,744)</u>	<u>(1,065,310)</u>
	<u>(890)</u>	<u>(944)</u>	<u>(945)</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ (6,523)</u>	<u>\$ (15,220)</u>	<u>\$ 513,886</u>

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

SMOOTH ROCK FALLS HOSPITAL
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	Invested in Capital Assets (note 13)	Unrestricted	Total 2018	Total 2017
NET ASSETS (NET LIABILITIES), BEGINNING OF YEAR	\$ 650,402	\$ (1,864,159)	\$ (1,213,757)	\$ (1,727,643)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	-	(15,220)	(15,220)	513,886
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 13)	237,462	(237,462)	-	-
NET ASSETS (NET LIABILITIES), END OF YEAR	\$ 887,864	\$ (2,116,841)	\$ (1,228,977)	\$ (1,213,757)

SMOOTH ROCK FALLS HOSPITAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,368	\$ 3,053
Accounts receivable (note 5)	392,355	545,899
Inventories	59,647	58,755
Prepaid expenses	45,448	102,853
	<u>500,818</u>	<u>710,560</u>
CAPITAL ASSETS (note 6)	4,869,472	4,889,895
	<u>\$ 5,370,290</u>	<u>\$ 5,600,455</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 7)	\$ 472,290	\$ 1,021,686
Accounts payable and accrued liabilities (note 8)	1,300,954	879,380
Deferred revenue (note 9)	394,892	277,294
Current portion of obligation under capital leases	40,915	34,130
	<u>2,209,051</u>	<u>2,212,490</u>
OBLIGATION UNDER CAPITAL LEASES (note 10)	3,947	45,553
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	3,936,746	4,159,810
POST-EMPLOYMENT BENEFITS PAYABLE (note 12)	449,523	396,359
	<u>6,599,267</u>	<u>6,814,212</u>
GOING CONCERN (note 2)		
NET ASSETS (NET LIABILITIES)		
INVESTED IN CAPITAL ASSETS (note 13)	887,864	650,402
UNRESTRICTED	(2,116,841)	(1,864,159)
	<u>(1,228,977)</u>	<u>(1,213,757)</u>
	<u>\$ 5,370,290</u>	<u>\$ 5,600,455</u>

CONTINGENCIES AND COMMITMENTS - note 16

On behalf of the board

 Director

SMOOTH ROCK FALLS HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	\$ (15,220)	\$ 513,886
Items not involving cash:		
Amortization of deferred capital contributions		
- equipment	(116,938)	(87,006)
Amortization of deferred capital contributions - buildings	(343,606)	(356,020)
Amortization of deferred capital contributions		
- leasehold improvements - detox	(18,145)	(18,145)
Amortization of leasehold improvement - detox	19,090	19,090
Amortization of major equipment - detox	5,945	-
Amortization of buildings	363,218	376,463
Amortization of equipment	186,414	161,030
Accrual for post employment benefits	53,164	43,970
Gain on disposal of capital assets	(1,700)	-
	<u>132,222</u>	<u>653,268</u>
Changes in:		
Accounts receivable	153,544	(327,800)
Inventories	(892)	(2,433)
Prepaid expenses	57,405	(68,630)
Accounts payable and accrued liabilities	421,574	(83,779)
Deferred revenue	117,598	(514,484)
	<u>881,451</u>	<u>(343,858)</u>
FINANCING ACTIVITY		
Repayment of obligation under capital leases	<u>(34,821)</u>	<u>(33,454)</u>
CAPITAL ACTIVITIES		
Purchase of capital project in progress	(215,790)	-
Purchase of capital assets	(338,972)	(498,350)
Capital contributions received	255,625	328,857
Proceeds from disposal of capital assets	2,218	-
	<u>(296,919)</u>	<u>(169,493)</u>
CHANGE IN CASH POSITION	549,711	(546,805)
CASH POSITION, BEGINNING OF YEAR	<u>(1,018,633)</u>	<u>(471,828)</u>
CASH POSITION, END OF YEAR	<u>\$ (468,922)</u>	<u>\$ (1,018,633)</u>
CASH POSITION CONSISTS OF:		
Cash	\$ 3,368	\$ 3,053
Bank indebtedness	<u>(472,290)</u>	<u>(1,021,686)</u>
	<u>\$ (468,922)</u>	<u>\$ (1,018,633)</u>

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

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

1. STATUS AND NATURE OF OPERATIONS

The Hospital, incorporated under the Ontario Business Corporation Act, without share capital, operates a 37 bed Hospital under the Charitable Institutions Act, at 107 Kelly Road, Smooth Rock Falls, Ontario. The Hospital is a Not-for-Profit Organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Hospital be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Hospital, which is primarily funded by the North East Local Health Integration Network (NE LHIN) has been having financial difficulties for the past years. The Hospital incurred a loss of \$15,220 during the year ended March 31, 2018 (2017 - surplus of \$513,886) and, as of that date, the Hospital's current liabilities exceeded its current assets by \$1,708,233 (2017 - \$1,501,930). During the course of the year, the Hospital was able to achieve a balanced operating position. The Hospital and the NE LHIN have a detailed work plan based on the peer review.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the organization be unable to continue its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with 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 and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital. The revenues, expenses, assets and liabilities with respect to the operations of the Hospital Auxiliary and Foundation are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting for contributions, which include donations and government grants. Under the deferral method, revenues are recorded in the period to which they relate.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the North East Local Health Integration Network (NE LHIN) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants and donations received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from other provinces and uninsured patients, operational revenue and other services are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits with a maturity of less than three months and temporary bank overdrafts which forms an integral part of the Hospital's cash management.

INVENTORIES

Inventories of all hospital supplies are valued at current cost and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Healthcare Reporting Standards. The estimated useful lives of the assets are as follows:

Buildings	20 - 40 years
Leasehold improvements - detox	25 years
Furnishing and equipment	3 - 20 years
Software	3 - 5 years

The cost of capital projects in progress is recorded in capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

CONTRIBUTED SERVICES

Directors and committee members volunteer their time to assist in the Hospital's activities. While these services benefit the Hospital considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the North East Local Health Integration Network. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

PENSION PLAN AND OTHER RETIREMENT BENEFIT PLANS

The Hospital provides post-employment benefits for the retirees. The benefits include extended health, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

Post employment benefits

- a) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, 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 over the estimated average remaining service life of the employee groups on a straight line basis.
- b) Past service costs (if any) arising from plan amendments are immediately recognized.
- c) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health and Long-Term Care.

Multi-employer defined benefit plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ('HOOPP'), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

FINANCIAL INSTRUMENTS

The Hospital records its financial instruments at either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has elected to measure cash and bank indebtedness as fair value, to correspond with how they are evaluated and managed.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

They are initially recognized at cost and subsequently carried 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 related to financial instruments in the fair value category 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 operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in 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.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and obligation under capital leases. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category 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.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the allowance for doubtful accounts receivable, the useful life of capital assets, accrued liabilities, actuarial estimation of post-employment benefits and contingencies. Actual results could differ from those estimates.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

4. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	2018		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 3,368	\$ -	\$ 3,368
Bank indebtedness	\$ (472,290)	\$ -	\$ (472,290)
Accounts receivable	\$ -	\$ 392,355	\$ 392,355
Accounts payable and accrued liabilities	\$ -	\$ (1,300,954)	\$ (1,300,954)
Obligation under capital leases	\$ -	\$ (44,862)	\$ (44,862)

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 3,053	\$ -	\$ 3,053
Bank indebtedness	\$ (1,021,686)	\$ -	\$ (1,021,686)
Accounts receivable	\$ -	\$ 545,899	\$ 545,899
Accounts payable and accrued liabilities	\$ -	\$ (879,380)	\$ (879,380)
Obligation under capital leases	\$ -	\$ (79,683)	\$ (79,683)

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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 (unobservable inputs).

Cash and cash equivalents and bank indebtedness are considered Level 1 fair value.

There were no transfers between levels for the year ended March 31, 2018.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

5. ACCOUNTS RECEIVABLE

	2018	2017
Health services	\$ 103,811	\$ 120,501
Grants and others	235,070	397,165
HST rebate	68,474	49,995
	<u>407,355</u>	<u>567,661</u>
Less: Allowance for doubtful accounts	15,000	21,762
	<u>\$ 392,355</u>	<u>\$ 545,899</u>

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net	2017 Net
Land and land improvements	\$ 102,574	\$ 36,780	\$ 65,794	\$ 65,794
Buildings	11,579,306	7,963,726	3,615,580	3,860,470
Leasehold improvements - detox	461,732	129,001	332,731	351,216
Furnishing and equipment	4,296,180	3,754,267	541,913	451,771
Software	282,910	237,465	45,445	108,425
Capital project in progress	268,009	-	268,009	52,219
	<u>\$ 16,990,711</u>	<u>\$ 12,121,239</u>	<u>\$ 4,869,472</u>	<u>\$ 4,889,895</u>

7. BANK INDEBTEDNESS

The Hospital has an authorized line of credit of \$1,200,000 as at March 31, 2018, bearing interest at prime + 1%, reducing to \$400,000 on April 13, 2018 and is secured by a general security agreement. The Hospital has an outstanding balance as at March 31, 2018 of \$472,290 (2017 - \$1,021,686).

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018****8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2018	2017
Trade	\$ 652,870	\$ 441,494
Payroll related	628,084	416,129
Accrued liabilities	20,000	21,757
	<u>\$ 1,300,954</u>	<u>\$ 879,380</u>

9. DEFERRED REVENUE

	2018	2017
Detox operations	\$ 47,769	\$ 39,375
EMR upgrade	94,061	94,061
Physician office integration	7,282	7,282
Aging at Home Program	117,494	109,269
OCP accreditation - Hospital Pharmacy Peer Group	-	19,390
Unspent capital contributions	121,264	4,473
Foundation and others	7,022	3,444
	<u>\$ 394,892</u>	<u>\$ 277,294</u>

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018****10. OBLIGATION UNDER CAPITAL LEASES**

	<u>2018</u>	<u>2017</u>
RBC Leasing Inc. capital leases, bearing interest at 4.1%, repayable in blended monthly payments of \$2,401 and \$657, due May 2019 and January 2020, secured by various equipment	\$ 44,862	\$ 79,683
Current portion	<u>40,915</u>	<u>34,130</u>
	<u>\$ 3,947</u>	<u>\$ 45,553</u>

The principal instalments to be paid over the next two fiscal years are as follows:

2019	\$ 40,915
2020	<u>3,947</u>
	<u>\$ 44,862</u>

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018****11. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The changes in the deferred capital contributions balances are as follows:

	2018	2017
CAPITAL CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 13,764,849	\$ 13,435,992
Received in current year	<u>255,625</u>	<u>328,857</u>
Balance, end of year	<u>14,020,474</u>	<u>13,764,849</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(9,605,039)	(9,143,868)
Amortization - buildings	(343,606)	(356,020)
Amortization - leasehold improvement - detox	(18,145)	(18,145)
Amortization - equipment	<u>(116,938)</u>	<u>(87,006)</u>
Balance, end of year	<u>(10,083,728)</u>	<u>(9,605,039)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u>\$ 3,936,746</u>	<u>\$ 4,159,810</u>

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

12. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post employment life insurance, extended health and dental benefits to employees subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation performed on May 4, 2018 for the year ending March 31, 2018.

The following table outlines the components of the Hospital's accrued post-employment benefit liability:

	<u>2018</u>	<u>2017</u>
Accrued employee future benefit obligation	\$ 547,682	\$ 517,055
Unamortized actuarial loss	<u>(98,159)</u>	<u>(120,696)</u>
Accrued employee future benefit liability	<u>\$ 449,523</u>	<u>\$ 396,359</u>

The following table outlines the components of the Hospital's accrued post-employment benefit liability:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 517,055	\$ 485,155
Unamortized actuarial loss	<u>(120,696)</u>	<u>(132,766)</u>
Accrued benefit liability, beginning of year	<u>396,359</u>	<u>352,389</u>
Current service cost	30,356	29,383
Interest on accrued benefit obligation	17,389	16,317
Amortization on actuarial loss	13,411	12,070
Benefit payment	<u>(7,992)</u>	<u>(13,800)</u>
Benefit expense and payment	<u>53,164</u>	<u>43,970</u>
Accrued benefit liability, end of year	<u>\$ 449,523</u>	<u>\$ 396,359</u>

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018**

12. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 15.

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value as at March 31, 2018 of the future benefits was determined using a discount rate of 3.37% (2017 - 3.56%) which is the discount rate recommended by the Ministry of Health and Long-Term Care.

Extended Health Coverage

Extended Health Coverage is assumed to increase at a rate of 8.0% per annum (2017 - 7.0%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5%.

Dental costs

Dental costs is assumed to increase at 4% per annum (2017 - 4%).

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 4,869,472	\$ 4,889,895
Deferred capital contributions	(3,936,746)	(4,159,810)
Obligation under capital leases	(44,862)	(79,683)
	<u>\$ 887,864</u>	<u>\$ 650,402</u>

Change in invested capital assets is calculated as follows:

	2018	2017
Purchase of capital project in progress	\$ 215,790	\$ -
Purchase of capital assets	338,972	498,350
Capital contributions received	(255,625)	(328,857)
Repayment of obligation under capital leases	34,821	33,454
Amortization of deferred capital contributions	478,689	461,171
Amortization of capital assets	(574,667)	(556,583)
Disposal of capital assets, net book value	(518)	-
	<u>\$ 237,462</u>	<u>\$ 107,535</u>

14. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the North East Local Health Integration Network. The organization's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

15. RETIREMENT BENEFITS

Substantially all of the Hospital's employees are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$340,520 (2017 - \$320,885) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. No pension liability for this type of plan is included in the Hospital's financial statements as no contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to this pension plan policies. The most recent actuarial valuation of the Plan at December 31, 2017 indicated that the Plan is fully funded on a solvency basis, meaning that it has enough assets to cover the current and future benefits of all members.

16. CONTINGENCIES AND COMMITMENTS

- (a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2018, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
 - (b) The Hospital, on behalf of the Cochrane District Detoxification Centre, entered into a lease agreement with the Corporation of the Town of Smooth Rock Falls as follows:
 - (i) the lease commitment was renewed in 2015 at \$46,204 per annum.
 - (ii) for the years 2016 to 2019, the lease commitment will increase by 2% each year.
 - (c) The Hospital, on behalf of the Cochrane District Detoxification Centre, signed a service agreement with the North Cochrane Addiction Services Inc. The Hospital shall pay North Cochrane Addiction Services Inc. an annual fee of \$97,915 in 12 equal monthly instalments. The agreement is effective as of April 31, 2018 and is renewable yearly.
-

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018**

17. SUBSEQUENT EVENT

The Ministry of Health and Long-Term Care lended an amount of \$800,000 in April 2018 to the Hospital. The amount is repayable over a period of three months starting January 31, 2019 in four bi-monthly payments of \$200,000.

18. FOUNDATION AND AUXILIARIES

The Smooth Rock Falls Hospital Foundation is an independent corporation without share capital which has its own Board of Directors. The Foundation holds funds to be used for the benefit of or to enhance or improve the services provided by the Smooth Rock Falls Hospital or other qualified donees. The Foundation is responsible for fundraising activities carried out on behalf of the Hospital and donations or bequests made to the Hospital are recorded as Foundation revenue.

In the course of the year, the Hospital did not make any donations to the Foundation (2017 - \$nil).

The Smooth Rock Falls Hospital Auxiliaries is an independent organism of volunteers which have for a goal to raise money in order to help the patients of the Hospital by contributing with the purchasing of new equipment and new infrastructure. They have their own Board of Directors and volunteers.

In the course of the year, the Auxiliaries donated an amount of \$11,215 (2017 - \$7,000) for the Hospital to purchase furniture and equipment.

The financial results of these two entities are not consolidated in the financial statements of the Hospital.

SMOOTH ROCK FALLS HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT RISKS AND UNCERTAINTIES

CREDIT RISK

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments for their accounts receivable. The Hospital is exposed to this risk relating to its cash and accounts receivable.

The Hospital holds its cash accounts with a financial institution who is insured by the Deposit Insurance Corporation of Ontario DICO. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2017 - \$100,000).

Accounts receivable are ultimately due from patients and the Ministry of Health and Long-Term Care.

The Hospital performs ongoing credit evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

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

The Hospital measures its exposure to credit based on how long the amounts have been outstanding. An impairment allowance is set-up based on the Hospital's historical experience regarding collections. The amounts outstanding as at March 31, 2018 are as follows:

	Total	Current	31-60 days	61-90 days	90+ days
Health services \$	103,814	\$ 80,792	\$ 13,542	\$ 1,335	\$ 8,145
Grants and others	235,066	203,282	8,013	15,145	8,626
HST rebate	68,475	68,475	-	-	-
	407,355	352,549	21,555	16,480	16,771
Allowance for doubtful accounts	(15,000)	-	-	-	(15,000)
	\$ 392,355	\$ 352,549	\$ 21,555	\$ 16,480	\$ 1,771

SMOOTH ROCK FALLS HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2018**

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)**INTEREST RATE RISK**

The Hospital is exposed to interest rate cash flow risk to the extent that its bank indebtedness bears interest at a floating interest rate based on the banks prime rate. The Hospital does not use hedges or derivatives to mitigate this risk. However, the Hospital believes that this risk is low and not material.

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. For the past years, short-term liquidity has been in a deficit position. The Hospital believes that with the continued financial support of the NE LHIN that its current sources of liquidity are sufficient to cover its currently short-term cash obligations. Management believes that long-term cash obligations will be covered by current funders.

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

20. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenues over expenses (expenses over revenues).

SMOOTH ROCK FALLS HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

SCHEDULE OF NE LHIN

Schedule 1

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
NE LHIN - base allocation	\$ 5,904,847	\$ 6,023,747	\$ 5,904,847
NE LHIN/MOH - other	138,981	254,237	772,534
	\$ 6,043,828	\$ 6,277,984	\$ 6,677,381

SCHEDULE OF AMORTIZATION OF BUILDINGS - NET

Schedule 2

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Amortization of deferred capital contributions - buildings	\$ (356,367)	\$ (343,606)	\$ (356,020)
Amortization of buildings	357,000	363,218	376,463
	\$ 633	\$ 19,612	\$ 20,443

SMOOTH ROCK FALLS HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

SCHEDULE OF OTHER PROGRAMS

Schedule 3

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
REVENUES			
NE LHIN base allocation	\$ 881,400	\$ 881,400	\$ 881,400
NE LHIN/MOH - other	-	10,161	-
Amortization of deferred capital contributions - leasehold improvements - detox	18,200	18,145	18,145
Other revenue and paymaster	159,426	219,319	162,045
Municipal taxes	2,775	2,775	2,775
	<u>1,061,801</u>	<u>1,131,800</u>	<u>1,064,365</u>
EXPENSES			
Amortization of leasehold improvements - detox	19,090	19,090	19,090
Amortization of major equipment - detox	-	5,945	-
Employee benefits	199,215	192,313	195,744
Municipal taxes	2,775	2,775	2,775
Salaries and wages	668,413	679,800	672,024
Supplies and other expenses	173,198	232,821	175,677
	<u>1,062,691</u>	<u>1,132,744</u>	<u>1,065,310</u>
EXCESS OF EXPENSES OVER REVENUES	\$ (890)	\$ (944)	\$ (945)