

Financial Statements of

**ORILLIA SOLDIERS'  
MEMORIAL HOSPITAL**

Year ended March 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Directors of Orillia Soldiers' Memorial Hospital

We have audited the accompanying financial statements of **Orillia Soldiers' Memorial Hospital**, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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, 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.

### *Auditors' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity'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 entity'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 Orillia Soldiers' Memorial Hospital, as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

May 26, 2015  
Sudbury, Canada

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

## Statement of Operations

Year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

	2015	2014
Revenue:		
North Simcoe Muskoka Local Health Integration		
Network/Ministry of Health and Long-Term Care (note 13)	\$ 109,667	109,519
Patient services	8,130	8,083
Other	3,955	3,910
Specifically funded programs (note 16)	3,120	2,999
Amortization of deferred capital contributions (note 9)	1,952	2,095
	<u>126,824</u>	<u>126,606</u>
Expenses:		
Salaries and wages	65,805	65,351
Benefits contributions	16,202	17,238
Medical staff remuneration	9,443	9,733
Drugs	3,506	3,502
Medical and surgical supplies	7,685	8,176
Amortization of equipment	3,369	3,264
Other supplies and services	14,662	14,663
Specifically funded programs (note 16)	3,120	2,999
	<u>123,792</u>	<u>124,926</u>
Excess of revenue over expenses from hospital operations	3,032	1,680
Working capital relief funding (note 17)	5,036	5,036
Excess of revenue over expenses before undernoted items	8,068	6,716
Amortization of property, plant and equipment	(3,394)	(3,231)
Amortization of deferred contributions (note 9)	2,340	2,341
<b>Excess of revenue over expenses</b>	<b>\$ 7,014</b>	<b>5,826</b>

See accompanying notes to financial statements.

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

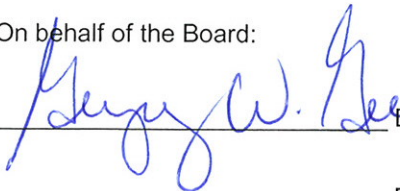
## Statement of Financial Position

March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 1,636	-
Short-term investment	1,500	-
Accounts receivable (note 2)	5,953	5,932
Inventories and prepaid expenses	2,554	2,103
Current portion of loans receivable	-	550
	<u>11,643</u>	<u>8,585</u>
Property, plant and equipment (note 3)	98,858	100,142
	<u>\$ 110,501</u>	<u>108,727</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Bank overdraft	\$ -	341
Bank indebtedness (note 4)	-	350
Current portion of bank indebtedness for capital expenditures (note 4)	97	-
Accounts payable and accrued liabilities (note 5)	10,958	16,220
Deferred contributions (note 6)	1,131	1,333
Current portion of obligations under capital leases (note 7)	275	262
	<u>12,461</u>	<u>18,506</u>
Bank indebtedness for capital expenditures (note 4)	3,279	2,703
Long-term obligations (note 8)	1,813	749
Employee post-retirement benefits (note 10)	5,561	5,365
Obligations under capital leases (note 7)	347	622
Deferred capital contributions (note 9)	74,707	75,463
	<u>98,168</u>	<u>103,408</u>
Total liabilities	98,168	103,408
Net assets	12,333	5,319
Contingencies (note 14)		
	<u>\$ 110,501</u>	<u>108,727</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

	2015	2014
Net assets (debt), beginning of year	\$ 5,319	(507)
Excess of revenue over expenses	7,014	5,826
<b>Net assets, end of year</b>	<b>\$ 12,333</b>	<b>5,319</b>

See accompanying notes to financial statements.

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014  
(In thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 7,014	5,826
Items not involving cash:		
Amortization of property, plant and equipment	6,763	6,495
Amortization of deferred capital contributions	(4,292)	(4,436)
Loss on disposal of property, plant and equipment	35	92
Increase in liability for employee post-retirement benefits	196	247
	9,716	8,224
Change in non-cash working capital balances:		
Increase in accounts receivable	(21)	(928)
Decrease (increase) in inventories and prepaid expenses	(375)	9
Decrease in accounts payable and accrued liabilities	(5,262)	(8,234)
Decrease in deferred contributions	(202)	(189)
	3,856	(1,118)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,514)	(3,620)
Purchase of short-term investment	(1,500)	-
Decrease in loans receivable	550	4
	(6,464)	(3,616)
Cash flows from financing activities:		
Payments on capital lease obligations	(262)	(249)
Increase in long-term obligations	988	103
Increase in bank demand loan and bankers acceptance	323	350
Increase in deferred capital contributions	3,536	1,203
	4,585	1,407
<b>Net increase (decrease) in cash</b>	<b>1,977</b>	<b>(3,327)</b>
Cash (bank overdraft), beginning of year	(341)	2,986
<b>Cash (bank overdraft), end of year</b>	<b>\$ 1,636</b>	<b>(341)</b>

See accompanying notes to financial statements.

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

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The Orillia Soldiers' Memorial Hospital (the "Hospital") was incorporated under the laws of Ontario in 1908. The Hospital is principally involved in providing health care services to Orillia and the surrounding area. The Hospital is a registered charity under the Income Tax Act and, accordingly is exempt from income taxes provided certain requirements of the Income Tax Act are met.

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care (the "Ministry") and the North Simcoe Muskoka Local Health Integration Network ("NSMLHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis at rates corresponding to those of the related capital assets.

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

### (b) Inventories:

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

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (c) Property, plant and equipment:

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

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

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Land improvements	5.0%
Buildings	2.5%
Building service equipment	5% - 20%
Furniture and equipment	5% - 20%

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

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 Hospital 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.

### (d) Related entities:

The notes to financial statements include information of the following entities (note 12):

Orillia Soldiers' Memorial Hospital Foundation ("OSMH Foundation")



# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 13 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### (f) 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, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. 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.

### (g) Funding adjustments:

The Hospital receives grants from the NSMLHIN and MOHLTC for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC or NSMLHIN may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

### (i) Financial instruments:

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

All investments, if any, 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.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

## 2. Accounts receivable:

	2015	2014
MOHLTC/NSMLHIN	\$ 2,643	3,254
Insurers and patients	1,157	1,291
OSMH Foundation	1,198	415
Other	955	972
	\$ 5,953	5,932

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015

(In thousands of dollars)

### 3. Property, plant and equipment:

	2015		
	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,808	—	3,808
Land improvements	3,091	1,816	1,275
Buildings	115,107	35,212	79,895
Building service equipment	4,777	3,474	1,303
Furniture and equipment	59,970	49,895	10,075
Construction in progress	2,502	—	2,502
	\$ 189,255	90,397	98,858

	2014		
	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,808	—	3,808
Land improvements	2,929	1,670	1,259
Buildings	115,061	32,425	82,636
Building service equipment	4,462	3,015	1,447
Furniture and equipment	56,910	46,698	10,212
Construction in progress	780	—	780
	\$ 183,950	83,808	100,142

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

#### 4. Bank indebtedness:

The Hospital has arranged for credit facilities which include the following:

- \$12 million credit facility available to fund operating requirements
- \$8 million credit facility available to fund capital expenditures
- \$2.703 million credit facility available to fund costs relating to the Hospital's Capital Redevelopment Project

The following amounts were outstanding under the Hospital's credit facilities.

Credit facility	Type of Indebtedness	Interest Rate	2015	2014
Operating	Demand loan	Prime less 0.65%	\$ -	350
Capital Redevelopment Project	Demand loan	Prime	2,703	2,703
Capital Other	Term loan	Prime plus 0.5%	673	-
			\$ 3,376	3,053

The term loan requires monthly payments of approximately \$11 in principal and interest and will be repaid in July 2021.

#### 5. Accounts payable and accrued liabilities:

	2015	2014
Accounts payable and accrued liabilities:		
- NSMLHIN, MOHLTC	\$ 1,292	980
- Other	1,918	6,542
Payroll accruals:		
- salaries and wages	3,234	4,341
- vacation pay and other entitlements	4,514	4,357
	\$ 10,958	16,220

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

## 6. Deferred contributions:

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

	2015	2014
Hemodialysis program	\$ 664	545
Integrated Regional Falls Program	13	13
Senior Friendly Care Service Program/Maternal & Youth	90	139
Health Infrastructure Renewal Fund	12	252
CCC Assess and Restore	12	14
Other	340	370
	\$ 1,131	1,333

## 7. Obligations under capital leases:

	2015	2014
Capital lease obligation, bearing interest at 5.00%, expiring 2016	\$ 104	194
Capital lease obligation, bearing interest at 4.59%, expiring 2018	166	222
Capital lease obligation, bearing interest at 4.59%, expiring 2018	290	383
Capital lease obligation, bearing interest at 5.75%, expiring 2018	62	85
	622	884
Less current portion	(275)	(262)
	\$ 347	622

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

## 7. Obligations under capital leases (continued):

Future minimum lease payments are as follows:

	2015	2014
2015	\$ -	328
2016	328	328
2017	238	238
2018	171	171
	737	1,065
Less: interest included in lease payments	(115)	(181)
Present value of future minimum lease payments	\$ 622	884

## 8. Long-term obligations:

Included in this balance are amounts owing for various pay-equity settlements beyond the next fiscal year. The current portion relating to this obligation is included in accounts payable and accrued liabilities.

Payments on these long-term obligations are as follows:

	2015	2014
2015	\$ -	227
2016	280	177
2017	177	199
2018 and beyond	1,636	373
	2,093	976
Less: current portion of long-term obligation	(280)	(227)
	\$ 1,813	749

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

## 9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2015	2014
Balance, beginning of year	\$ 75,463	78,696
Contributions received during the year:		
OSMH Foundation	3,087	629
MOHLTC/NSMLHIN	449	574
	78,999	79,899
Less: Amounts amortized to revenue	(4,292)	(4,436)
Balance, end of year	\$ 74,707	75,463

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

	2015	2014
Unamortized	\$ 72,720	75,012
Unspent:		
Capital Projects	1,987	451
	\$ 74,707	75,463

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

## 10. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at April 1, 2013.

The accrued benefit obligation is recorded in the financial statements as follows:

	2015	2014
Balance, beginning of year	\$ 5,365	5,118
Add: Benefit costs	429	420
	5,794	5,538
Less: Benefit contributions	(233)	(173)
Balance, end of year	\$ 5,561	5,365

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

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

	2015	2014
Discount rate	4.00%	4.00%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	6.75%	7.00%

## 11. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan, which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$5,416 (2014 - \$5,398).

## 12. Related entity:

The Hospital has an economic interest in the OSMH Foundation. The OSMH Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects, training and medical research. During the year, the Hospital received donations amounting to \$3,332 (2014 - \$1,660) from the OSMH Foundation.



# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

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## 13. North Simcoe Muskoka Local Health Integration Network/Ministry of Health and Long-Term Care:

	2015	2014
MOHLTC/NSMLHIN	\$ 88,252	89,488
Ontario Renal Network	20,645	19,917
Cancer Care Ontario	770	114
	\$ 109,667	109,519

## 14. Contingencies:

### (a) Legal matters and litigation:

The Hospital 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.

### (b) Employment matters:

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

## 15. Financial risks and concentration of credit 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 Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2015 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 2014.

# ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015  
(In thousands of dollars)

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

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital 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 2014.

## 16. Specifically funded programs:

The Hospital administers a number of programs which are separately funded. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Hospital and any excess or deficiency of revenue over expenses is settled with the funding agencies on an annual basis.

	2015	2014
Community Mental Health and Addictions	\$ 1,773	1,647
CTN Occupational Therapy	637	599
Simcoe – Occupational/Physiotherapy	487	514
MCSS Social Work program	211	209
New Path Youth Assessment	12	30
	\$ 3,120	2,999

## 17. Working capital relief funding:

In March 2013, the Hospital was advised that it was eligible for one-time working capital relief funding over three fiscal years to improve its adjusted working funds deficit position. The Hospital is eligible to receive these funds in three annual installments of \$5,036, provided that it meets certain conditions. The funding received is restricted in use to reducing the Hospital's working capital deficit and cannot be used to fund operating or capital expenditures.