

Financial Statements of

**ORILLIA SOLDIERS'
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon
Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Orillia Soldiers' Memorial Hospital

Opinion

We have audited the financial statements of Orillia Soldiers' Memorial Hospital (the Hospital), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets 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 the Hospital as at March 31, 2021, and its results of operations and its cash flows year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital's to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 25, 2021

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Revenue:		
North Simcoe Muskoka Local Health Integration Network and Ministry of Health (note 2)	\$ 121,079	\$ 116,844
Ministry of Health pandemic funding (note 3)	14,218	-
Patient services	8,533	9,572
Other	3,999	6,614
Specifically funded programs (note 4)	3,505	3,556
Amortization of deferred capital contributions (note 5)	1,440	1,082
	<u>152,774</u>	<u>137,668</u>
Expenses:		
Salaries and wages	71,750	65,031
Employee benefits	21,385	19,880
Medical staff remuneration	11,007	10,779
Drugs	5,693	5,563
Medical and surgical	9,482	8,450
Amortization of equipment	3,288	2,702
Other supplies and services	20,853	18,532
Specifically funded programs (note 4)	3,592	3,556
	<u>147,050</u>	<u>134,493</u>
Excess (deficiency) of revenue over expenses before undernoted items	5,724	3,175
Amortization of property, plant and equipment	(3,843)	(3,515)
Amortization of deferred contributions (note 5)	2,789	2,690
Excess of revenue over expenses before undernoted items	<u>4,670</u>	<u>2,350</u>
Ministry of Health working capital funding (note 18)	5,298	-
Excess of revenue over expenses	<u>\$ 9,968</u>	<u>\$ 2,350</u>

See accompanying notes to financial statements

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash	\$ 9,003	\$ 7,792
Accounts receivable (note 6)	16,178	4,056
Inventories and prepaid expenses	2,815	2,676
	<u>27,996</u>	<u>14,524</u>
Property, plant and equipment (note 7)	114,110	113,742
	<u>\$ 142,106</u>	<u>\$ 128,266</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of bank indebtedness for capital expenditures (note 8)	\$ 842	\$ 1,360
Accounts payable and accrued liabilities (note 9)	20,427	18,241
Deferred contributions (note 10)	2,230	707
Current portion of obligations under capital leases (note 11)	182	103
	<u>23,681</u>	<u>20,411</u>
Bank indebtedness for capital expenditures (note 8)	2,642	3,484
Long-term obligations (note 12)	1,858	2,317
Employee post-retirement benefits (note 13)	5,842	5,946
Obligations under capital leases (note 11)	410	234
Deferred capital contributions (note 5)	81,720	79,889
	<u>116,153</u>	<u>112,281</u>
Net assets	25,953	15,985
Contingencies (note 14)		
COVID-19 impact (note 19)		
	<u>\$ 142,106</u>	<u>\$ 128,266</u>

See accompanying notes to financial statements

On behalf of the Board:



Chair

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

		2021		2020
Net assets, beginning of year	\$	15,985	\$	13,635
Excess of revenue over expenses		9,968		2,350
Net assets, end of year	\$	25,953	\$	15,985

See accompanying notes to financial statements

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 9,968	\$ 2,350
Adjustments for:		
Amortization of property, plant, and equipment	7,155	6,241
Amortization of deferred capital contributions	(4,253)	(3,796)
Loss on disposal of property, plant and equipment	-	15
Decrease in liability for employee post-retirement benefits	(104)	(104)
	<u>12,766</u>	<u>4,706</u>
Change in non-cash working capital:		
Increase (decrease) in accounts receivable	(12,122)	1,235
Increase in inventories and prepaid expenses	(139)	(485)
Increase (decrease) in accounts payable and accrued liabilities	2,186	(209)
Increase (decrease) in deferred contributions	1,523	(82)
	<u>4,214</u>	<u>5,165</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,523)	(7,514)
Cash flows from financing activities:		
Payments on capital lease obligations	(144)	(97)
Proceeds from capital lease obligations	399	187
Increase in long-term obligations	(459)	(72)
Proceeds on bank indebtedness	-	3,865
Decrease in bank indebtedness for capital expenditure	(1,360)	(968)
Increase in deferred capital contributions	6,084	2,553
	<u>4,520</u>	<u>5,468</u>
Net increase in cash	1,211	3,119
Cash, beginning of year	7,792	4,673
Cash, end of year	<u>\$ 9,003</u>	<u>\$ 7,792</u>

See accompanying notes to financial statements

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

(In thousands of dollars)

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 (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, 2021
(In thousands of dollars)

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. Contributed assets are recorded at fair market value.

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:

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

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 16):

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

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

(In thousands of dollars)

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 MOH for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOH 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, 2021
(In thousands of dollars)

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. North Simcoe Muskoka Local Health Integration Network/Ministry of Health:

	2021	2020
MOH/NSMLHIN	\$ 107,786	\$ 104,015
Ontario Renal Network	14,076	23,004
Cancer Care Ontario	3,780	3,111
Paymaster	(4,563)	(13,286)
	<u>\$ 121,079</u>	<u>\$ 116,844</u>

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

3. 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 and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital 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 changes to funding programs that could be announced by the MOH, the Hospital 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 Hospital's financial statements in the year of settlement.

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

Funding for incremental COVID-19 operating expenses	\$ 7,574
Funding for temporary pandemic pay	2,080
Funding for revenue losses resulting from COVID-19	1,540
Broad-based funding reconciliation for other eligible costs and revenue losses	1,516
COVID swab assessment center funding	1,461
Uninsured patients funding	702
Other COVID funding	857
	<hr/> 15,730
Less: Provision for future changes to funding programs	(1,512)
	<hr/> \$ 14,218

In addition to the above, the Hospital has also recognized \$1,884 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an additional to deferred capital contributions during the year.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

(In thousands of dollars)

4. Specifically funded programs:

The Hospital administers a number of programs which are separately funded. The revenue 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.

	2021	2020
Revenue:		
Community Mental Health and Addictions	\$ 2,168	\$ 2,148
CTN Occupational Therapy	664	700
Simcoe – Occupational/Physiotherapy	431	490
MCSS Social Work program	182	200
Bundled Care	24	–
High Intensity Supports at Home	18	–
Municipal taxes	18	18
	<u>3,505</u>	<u>3,556</u>
Expenses:		
Community Mental Health and Addictions	\$ 2,255	\$ 2,148
CTN Occupational Therapy	664	700
Simcoe – Occupational/Physiotherapy	431	490
MCSS Social Work program	182	200
Bundled Care	24	–
High Intensity Supports at Home	18	–
Municipal taxes	18	18
	<u>3,592</u>	<u>3,556</u>
Excess (deficiency) of revenue over expenses	\$ (87)	\$ –

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

(In thousands of dollars)

5. 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:

	2021	2020
Balance, beginning of year	\$ 79,889	\$ 81,132
Contributions received during the year:		
OSMH Foundation	852	325
MOH/NSMLHIN	4,837	2,022
Other	395	206
	85,973	83,685
Less: Contributions disposed of during the year	—	—
	85,973	83,685
Amounts amortized to revenue:		
Hospital operations	(4,229)	(3,772)
Specifically funded programs	(24)	(24)
	(4,253)	(3,796)
Balance, end of year	\$ 81,720	\$ 79,889

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

	2021	2020
Unamortized	\$ 79,115	\$ 70,729
Unspent:		
Capital projects	2,605	9,160
	\$ 81,720	\$ 79,889

6. Accounts receivable:

	2021	2020
MOH/NSMLHIN	\$ 12,066	\$ 606
Insurers and patients	2,318	1,628
OSMH Foundation	115	257
Other	1,679	1,565
	\$ 16,178	\$ 4,056

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

(In thousands of dollars)

7. Property, plant and equipment:

	2021		
	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,808	\$ –	\$ 3,808
Land improvements	3,368	2,837	531
Buildings	120,379	52,686	67,693
Building service equipment	21,874	6,174	15,700
Furniture and equipment	87,056	65,224	21,832
Work in progress	4,546	–	4,546
	\$ 241,031	\$ 126,921	\$ 114,110

	2020		
	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,808	\$ –	\$ 3,808
Land improvements	3,368	2,672	696
Buildings	119,944	49,707	70,237
Building service equipment	9,302	5,475	3,827
Furniture and equipment	80,184	61,912	18,272
Work in progress	16,902	–	16,902
	\$ 233,508	\$ 119,766	\$ 113,742

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

8. Bank indebtedness:

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

- \$12 million credit facility available to fund operating requirements
- \$16.7 million credit facility available to fund capital expenditures

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

Credit facility	Type of Indebtedness	Interest Rate	2021	2020
Capital - Other	Term loans	Prime less 0.25% to Prime plus 0.25%	\$ 309	\$ 1,116
Capital - Cogeneration	Term loan	Prime less 0.25%	3,175	3,728
			3,484	4,844
Less: current portion of bank indebtedness for capital expenditures			(842)	(1,360)
			\$ 2,642	\$ 3,484

Principal payments in the next five years and thereafter are as follows:

2022	\$ 842
2023	572
2024	552
2025	552
2026	552
Thereafter	414
	\$ 3,484

9. Accounts payable and accrued liabilities:

	2021	2020
Accounts payable and accrued liabilities:		
- NSMLHIN/MOH	\$ 2,465	\$ 2,134
- Trade accounts payable	2,057	3,414
- Other	4,706	3,317
Payroll accruals:		
- salaries and wages	2,479	2,017
- vacation pay and other entitlements	8,101	7,359
- pay equity settlement	619	-
	\$ 20,427	\$ 18,241

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

10. 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.

11. Obligations under capital leases:

	2021	2020
Capital lease obligation, bearing interest at 2.50%, expiring 2022	\$ 102	\$ 174
Capital lease obligation, bearing interest at 2.26%, expiring 2025	133	163
Capital lease obligation, bearing interest at 3.70%, expiring 2026	239	–
Capital lease obligation, bearing interest at 3.70%, expiring 2026	118	–
	592	337
Less current portion	(182)	(103)
	\$ 410	\$ 234

Future minimum lease payments are as follows:

2022	\$ 199
2023	148
2024	122
2025	122
2026 and thereafter	42
	633
Less: interest included in lease payments	(41)
Present value of future minimum lease payments	\$ 592

12. Long-term obligations:

Included in this balance are amounts owing for various pay-equity and other labour settlements beyond the next fiscal year.

13. 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, 2019.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

13. Employee post-retirement benefits (continued):

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

	2021	2020
Balance, beginning of year	\$ 5,946	\$ 6,050
Add: benefit costs	359	362
	6,305	6,412
Less: benefit contributions	(463)	(466)
Balance, end of year	\$ 5,842	\$ 5,946

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:

	2021	2020
Discount rate	2.90%	3.10%
Dental cost trend rates	3.00%	3.00%
Extended health care trend rates	5.20%	5.50%

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.

(c) HealthCare Insurance Reciprocal of Canada:

The Hospital 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, 2021, no assessments have been received by the Hospital.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

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, 2021 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 2020.

(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 2020.

16. 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 \$5,639 (2020 – \$5,543).

17. 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 \$1,238 (2020 – \$755) from the OSMH Foundation.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021
(In thousands of dollars)

18. Working capital relief funding:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the MOH has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

19. COVID-19 impact:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.