

Financial Statements of

**ORILLIA SOLDIERS'
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- 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, 2022, 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.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
May 31, 2022

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Revenue:		
Ministry of Health and Ontario Health Central (note 2)	\$ 135,435	\$ 121,079
Ministry of Health pandemic funding (note 3)	10,294	14,218
Patient services	9,405	8,533
Other	6,352	3,999
Specifically funded programs (note 4)	4,202	3,505
Amortization of deferred capital contributions (note 5)	1,653	1,440
	<u>167,341</u>	<u>152,774</u>
Expenses:		
Salaries and wages	76,333	71,750
Employee benefits	23,870	21,385
Medical staff remuneration	12,178	11,007
Drugs	6,008	5,693
Medical and surgical	10,337	9,482
Amortization of equipment	3,749	3,288
Other supplies and services	22,178	20,853
Specifically funded programs (note 4)	4,316	3,592
	<u>158,969</u>	<u>147,050</u>
Excess of revenue over expenses before undernoted items	8,372	5,724
Amortization of property, plant and equipment	(4,165)	(3,843)
Amortization of deferred contributions (note 5)	3,095	2,789
Excess of revenue over expenses before undernoted items	7,302	4,670
Ministry of Health working capital funding	-	5,298
Excess of revenue over expenses	<u>\$ 7,302</u>	<u>\$ 9,968</u>

See accompanying notes to financial statements

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Assets		
Current assets:		
Cash	\$ 21,160	\$ 9,003
Accounts receivable (note 6)	13,505	16,178
Inventories and prepaid expenses	3,932	2,815
	<u>38,597</u>	<u>27,996</u>
Property, plant and equipment (note 7)	114,897	114,110
	<u>\$ 153,494</u>	<u>\$ 142,106</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of bank indebtedness for capital expenditures (note 8)	\$ -	\$ 842
Accounts payable and accrued liabilities (note 9)	27,296	20,427
Deferred contributions (note 10)	3,650	2,230
Current portion of obligations under capital leases (note 11)	-	182
	<u>30,946</u>	<u>23,681</u>
Bank indebtedness for capital expenditures (note 8)	-	2,642
Long-term obligations (note 12)	1,974	1,858
Employee post-retirement benefits (note 13)	5,809	5,842
Obligations under capital leases (note 11)	-	410
Deferred capital contributions (note 5)	81,510	81,720
	<u>120,239</u>	<u>116,153</u>
Net assets	33,255	25,953
Contingencies (note 14)		
COVID-19 impact (note 15 (c))		
	<u>\$ 153,494</u>	<u>\$ 142,106</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, 2022, with comparative information for 2021
(in thousands of dollars)

		2022		2021
Net assets, beginning of year	\$	25,953	\$	15,985
Excess of revenue over expenses		7,302		9,968
Net assets, end of year	\$	33,255	\$	25,953

See accompanying notes to financial statements

ORILLIA SOLDERS' MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 7,302	\$ 9,968
Adjustments for:		
Amortization of property, plant, and equipment	7,938	7,155
Amortization of deferred capital contributions	(4,772)	(4,253)
Gain on disposal of property, plant and equipment	(767)	-
Decrease in liability for employee post-retirement benefits	(33)	(104)
	9,668	12,766
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	2,673	(12,122)
Decrease (increase) in inventories and prepaid expenses	(1,117)	(139)
Increase in accounts payable and accrued liabilities	6,869	2,186
Increase in deferred contributions	1,420	1,523
	19,513	4,214
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,102)	(7,523)
Proceeds on disposals of property, plant and equipment	1,144	-
	(7,958)	(7,523)
Cash flows from financing activities:		
Payments on capital lease obligations	(592)	(144)
Proceeds from capital lease obligations	-	399
Increase (decrease) in long-term obligations	116	(459)
Decrease in bank indebtedness for capital expenditures	(3,484)	(1,360)
Disposal of deferred capital contributions	(253)	-
Increase in deferred capital contributions	4,815	6,084
	602	4,520
Net increase in cash	12,157	1,211
Cash, beginning of year	9,003	7,792
Cash, end of year	\$ 21,160	\$ 9,003

See accompanying notes to financial statements

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(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 Ontario Health Central ("OHC"). 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, 2022

(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, 2022

(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 OHC and MOH for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOH or OHC 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, 2022

(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. Ministry of Health/Ontario Health Central:

	2022	2021
MOH/OHC	\$ 121,832	\$ 107,786
Ontario Renal Network	14,298	14,076
Cancer Care Ontario	3,947	3,780
Paymaster	(4,642)	(4,563)
	\$ 135,435	\$ 121,079

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(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. As part of these funding programs, the MOH is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

Management has developed an estimate of MOH revenue for COVID-19 based on the most recent guidance provided by the 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 reasonable possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future adjustments by the MOH based on their determination of eligible funding, the 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 are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses	\$ 5,573	\$ 7,574
Temporary retention initiative for nurses	2,304	–
COVID swab assessment center funding	1,701	1,461
Uninsured patients funding	643	702
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
Other COVID funding	1,979	857
	12,200	15,730
Less: Provision for potential recoveries	(1,906)	(1,512)
	\$ 10,294	\$ 14,218

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(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.

	2022	2021
Revenue:		
Community Mental Health and Addictions	\$ 2,207	\$ 2,168
CTN Occupational Therapy	669	664
Simcoe – Occupational/Physiotherapy	490	431
MCSS Social Work program	182	182
Bundled Care	32	24
High Intensity Supports at Home	604	18
Municipal taxes	18	18
	<u>4,202</u>	<u>3,505</u>
Expenses:		
Community Mental Health and Addictions	\$ 2,320	\$ 2,255
CTN Occupational Therapy	669	664
Simcoe – Occupational/Physiotherapy	490	431
MCSS Social Work program	182	182
Bundled Care	32	24
High Intensity Supports at Home	605	18
Municipal taxes	18	18
	<u>4,316</u>	<u>3,592</u>
Deficiency of revenue over expenses	\$ (114)	\$ (87)

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(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:

	2022	2021
Balance, beginning of year	\$ 81,720	\$ 79,889
Contributions received during the year:		
OSMH Foundation	2,141	852
MOH/OHC	2,263	4,837
Other	411	395
	86,535	85,973
Less: Contributions disposed of during the year	(253)	-
Balance, end of year	\$ 86,282	\$ 85,973
Amounts amortized to revenue:		
Hospital operations	(4,748)	(4,229)
Specifically funded programs	(24)	(24)
	(4,772)	(4,253)
Balance, end of year	\$ 81,510	\$ 81,720

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

	2022	2021
Unamortized	\$ 80,625	\$ 79,115
Unspent:		
Capital projects	885	2,605
	\$ 81,510	\$ 81,720

6. Accounts receivable:

	2022	2021
MOH/OHC	\$ 9,246	\$ 12,066
Insurers and patients	1,316	2,318
OSMH Foundation	809	115
Other	2,134	1,679
	\$ 13,505	\$ 16,178

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

7. Property, plant and equipment:

	2022		
	Cost	Accumulated Amortization	Net book Value
Land	\$ 3,683	\$ -	\$ 3,683
Land improvements	3,368	2,981	387
Buildings	121,243	55,595	65,648
Building service equipment	24,138	7,198	16,940
Furniture and equipment	93,770	68,997	24,773
Work in progress	3,466	-	3,466
	<u>\$ 249,668</u>	<u>\$ 134,771</u>	<u>\$ 114,897</u>

	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
	<u>\$ 241,031</u>	<u>\$ 126,921</u>	<u>\$ 114,110</u>

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(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	2022	2021
Capital - Other	Term loans	Prime less 0.25% to Prime plus 0.25%	\$ -	\$ 309
Capital - Cogeneration	Term loan	Prime less 0.25%	-	3,175
			-	3,484
Less: current portion of bank indebtedness for capital expenditures			-	(842)
			\$ -	\$ 2,642

9. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable and accrued liabilities:		
- OHC/MOH	\$ 4,890	\$ 2,465
- Trade accounts payable	1,660	2,057
- Other	6,128	4,706
Payroll accruals:		
- salaries and wages	5,292	2,479
- vacation pay and other entitlements	9,326	8,101
- pay equity settlement	-	619
	\$ 27,296	\$ 20,427

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.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

11. Obligations under capital leases:

	2022	2021
Capital lease obligation, bearing interest at 2.50%, expiring 2022	\$ -	\$ 102
Capital lease obligation, bearing interest at 2.26%, expiring 2025	-	133
Capital lease obligation, bearing interest at 3.70%, expiring 2026	-	239
Capital lease obligation, bearing interest at 3.70%, expiring 2026	-	118
		592
Less current portion	-	(182)
	\$ -	\$ 410

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.

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

	2022	2021
Balance, beginning of year	\$ 5,842	\$ 5,946
Add: benefit costs	379	359
	6,221	6,305
Less: benefit contributions	(412)	(463)
Balance, end of year	\$ 5,809	\$ 5,842

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.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

13. Employee post-retirement benefits (continued):

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

	2022	2021
Discount rate	3.70%	2.90%
Dental cost trend rates	3.00%	3.00%
Extended health care trend rates	5.20%	5.20%

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, 2022, no assessments have been received by the Hospital.

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, 2022 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 2021.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars)

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 2021.

(c) 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 2023 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.

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 \$6,162 (2021 - \$5,639).

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 \$2,614 (2021 - \$1,238) from the OSMH Foundation.