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# **Financial Statements**

**Geraldton District Hospital**

**Year Ended March 31, 2022**

## **Contents**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Geraldton District Hospital

### *Opinion*

We have audited the accompanying financial statements of (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 fund balances for the year then ended
- the statement of remeasurement gains (losses) 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, its changes in fund balances, statement of remeasurement gains (losses) and its cash flows for the 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.

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 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 and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the 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.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.



### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives is 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 to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Matter**

The financial statements of Geraldton District Hospital for the year ended March 31, 2021 were audited by another practitioner who expressed an unmodified conclusion on those financial statements on June 22, 2021.



Chartered Professional Accountants, Licensed Public Accountants  
Sault Ste. Marie, Canada  
June 27, 2022

**Geraldton District Hospital****Statement of Financial Position****As at March 31,****2022****2021**

\$

\$

**ASSETS****Current**

Cash	1,361,763	3,446,368
Accounts receivable (note 2)	1,883,450	1,363,765
Inventory	543,166	503,658
Prepaid expenses	237,143	196,861
Restricted fund benefit	6,614	12,706
<b>Total Current Assets</b>	<b>4,032,136</b>	<b>5,523,358</b>

Capital Expenditure Reserve Fund 1,804,513 4,238,733

Property, plant and equipment, net (note 3) 28,474,199 25,632,920

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**34,310,848 35,395,011**

**LIABILITIES AND FUND BALANCES****Current**

Accounts payable and accrued liabilities (note 4) 2,618,640 4,171,743

Deferred Capital Contributions (note 5) 19,184,211 18,836,837

Employee Future Benefits (note 6) 1,374,404 1,285,104

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**23,177,255 24,293,684**

Commitments and contingencies (note 11)

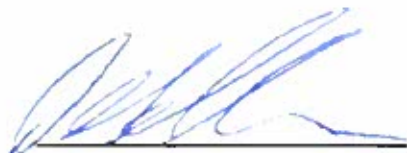
**Fund Balances**

Investment in property, plant and equipment (note 7a)	9,289,988	6,796,083
Used for operating purposes	32,478	53,805
Restricted Benefits Fund	6,614	12,706
Capital Expenditure Reserve Fund	1,733,923	4,133,690
Accumulated remeasurement	70,590	105,043
<b>Total Fund Balances</b>	<b>11,133,593</b>	<b>11,101,327</b>
	<b>34,310,848</b>	<b>35,395,011</b>

See accompanying notes to the financial statements.

On behalf of the Board

 Director

 Director

**Geraldton District Hospital  
Statement of Operations**

<b>Year Ended March 31,</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Ambulance	28,860	33,360
Amortization of deferred capital contributions - equipment	24,307	23,000
Co-payments revenue	596,572	547,767
Gain on investments and Interest income	32,193	204,938
Ontario Ministry of Health and Ministry of Long-Term Care / Ontario Health North	11,872,229	11,090,738
COVID 19 Pandemic Non-Recurring (note 14)	1,085,891	1,149,835
Other programs (note 13)	1,371,031	1,120,424
Other revenue	444,571	506,830
In-patient services	13,260	147,303
Out-patient services	208,310	234,090
	<b>15,677,224</b>	<b>15,058,285</b>
<b>EXPENDITURES</b>		
Amortization of equipment, furnishings and computer system	365,048	262,259
Bad debts	33,336	17,609
Drugs	111,964	97,834
Employee benefits	2,207,350	2,050,095
Medical and surgical supplies	180,159	156,847
Medical staff remuneration	157,069	78,211
Other programs (note 13)	1,390,884	1,117,674
Purchased Services	840,982	490,245
Salaries and wages	7,319,178	7,540,525
Supplies and other expense	2,692,835	2,505,072
	<b>15,298,805</b>	<b>14,316,371</b>
<b>Excess of revenue over expenses before the following</b>	<b>378,419</b>	<b>741,914</b>
Amortization of buildings and building service equipment	(921,674)	(538,470)
Amortization of deferred capital contributions - buildings	609,974	323,088
<b>Excess of revenue over expenses for the year</b>	<b>66,719</b>	<b>526,532</b>

Geraldton District Hospital  
Statement of Changes in Fund Balances  
Year Ended March 31.

	2022		2021		
	Investment in Property, Plant and Equipment \$ (note 7)	Used for Operating Purposes \$	Restricted Benefits Fund \$	Capital Expenditure Reserve Fund \$	Accumulated Remeasurement \$
Balance, beginning of year	6,796,083	53,805	12,706	4,133,690	105,043
Net remeasurement gains (losses) for the year					10,589,287
Increase (Decrease) in Capital Expenditure Reserve		2,399,767		(2,399,767)	(34,453)
Excess (deficiency) of revenue over (under) expenses for the year	(654,757)	721,476	-	-	66,719
Increase (decrease) in Restricted Benefits Fund		6,092	(6,092)		-
Net change in investment in property, plant and equipment	3,148,662	(3,148,662)	-	-	-
Balance, end of year	9,289,988	32,478	6,614	1,733,923	70,590
					11,101,327

See accompanying notes to the financial statements.

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**Geraldton District Hospital****Statement of Remeasurement Gains (Losses)**

<b>As at March 31,</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Accumulated remeasurement gains (losses) - Beginning of year</b>	<b>105,043</b>	<b>119,535</b>
<b>Unrealized gains (losses) attributable to:</b>		
Change in fair value		
Investments	<b>(73,668)</b>	<b>90,726</b>
Amounts reclassified to the statement of operations		
Gain (losses) on investments	<b>39,215</b>	<b>(105,218)</b>
<b>Net remeasurement gains (losses) for the year</b>	<b>(34,453)</b>	<b>(14,492)</b>
<b>Accumulated remeasurement gains (losses) - End of year</b>	<b>70,590</b>	<b>105,043</b>

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**Geraldton District Hospital****Statement of Cash Flows**

<b>As at March 31,</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	<b>66,719</b>	526,532
Items not requiring cash from operations		
Amortization	<b>1,291,411</b>	805,420
Amortization of deferred capital contributions	<b>(636,654)</b>	(348,463)
Employee future benefits	<b>89,300</b>	103,800
Change in non-cash operational balances (note 9)	<b>(2,152,578)</b>	1,424,608
<b>Cash provided/(used) by Operations</b>	<b>(1,341,802)</b>	2,511,897
<b>CAPITAL ACTIVITIES</b>		
Additions to property, plant and equipment (note 7)	<b>(4,132,690)</b>	(14,103,584)
Ontario Ministry of Health and Long-Term Care	<b>984,028</b>	13,158,246
<b>Cash used in Capital Activities</b>	<b>(3,148,662)</b>	(945,338)
<b>INVESTMENT ACTIVITIES</b>		
Net remeasurement loss for the year	<b>(34,453)</b>	(14,492)
Transfer of Restricted Benefits Fund	<b>6,092</b>	1,227
Transfer of Capital Expenditure Reserve Fund	<b>2,434,220</b>	2,909
<b>Cash provided/(used) by Investment Activities</b>	<b>2,405,859</b>	(10,356)
<b>Increase/(Decrease) in cash during year</b>	<b>(2,084,605)</b>	1,556,203
<b>Cash, beginning of year</b>	<b>3,446,368</b>	1,890,165
<b>Cash, end of year</b>	<b>1,361,763</b>	3,446,368

See accompanying notes to the financial statements.



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**Geraldton District Hospital**  
**Notes to the Financial Statements**  
**March 31, 2022**

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The Hospital was incorporated under the laws of Ontario as a corporation without share capital on September 14, 1939. Its principal activity is to provide specialized and general hospital-based health care to the people of Greenstone and Northwestern Ontario. 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 for Government not-for-profit organizations PSAB 4200.

**(a) Revenue recognition**

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

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 Ontario Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect funding approved by the Ministry with respect to the year ended March 31, 2022.

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

Investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Contributions received for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

**(b) Contributed services**

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

**(c) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost of supplies is determined on a first in first out basis. Cost of pharmacy is determined on a weighted average cost basis.

**(d) Cash**

Cash includes cash on hand and in banks.

**(e) Property, plant and equipment**

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Assets acquired under capital leases are capitalized and amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. The cost of renovations to the hospital buildings, which significantly increase useful life and capacity are capitalized. Betterments which extend the estimated life of an asset are capitalized. When a piece of property, plant and equipment no longer contributed to the Hospital's ability to provide services, its carrying amount is written down to its net realizable value.

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Building and building service equipment	3% - 5%
Equipment, furnishings and computer system	5%-50%
Land improvements	10%
Leasehold improvements	10%

**(f) Compensated absences**

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, sick leave and retirement allowances.

**(g) Employee benefits**

The Hospital accrues its obligations under employee benefit plans and the related costs. The Hospital has adopted the following policy:

The cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service, retirement ages of employees and expected health care costs.

**(h) The Residents' Trust Fund**

The Residents' Trust Fund consists of amounts held in trust for the residents of the Geraldton District Hospital. These funds are not reflected in these financial statements (see note 8).

**(i) Management's estimates**

The preparation of financial statements, in conformity with Canadian Public Sector Accounting Standards, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are determined using a consistent approach year over year. Management believes that the estimates utilized in preparing its financial statements accounting standards for Government not-for-profit organizations.

**(j) Restricted Benefits Fund**

Geraldton District Hospital has adopted an administrative services only funding arrangement for a group insurance plan provider. Under the arrangement, the Hospital manages its benefit premium changes as a form of self-insurance. This fund consists of reserve and deposit account balances which have been contributed proportionately by the Hospital and its employees.

**(k) Capital Expenditure Reserve Fund**

This Reserve is internally restricted and is to be used to finance replacements or additions to buildings, furniture and equipment for Hospital's expansion.

**(l) Financial Instruments**

The Hospital accounts for its financial assets and liabilities in accordance with Canadian Public Sector Accounting Standards under CPA Handbook 3856.

Financial instruments are recorded at fair market value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year, if there are indicators of impairment. If there is an indicator of impairment, the Hospital determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If events and circumstances reverse in the future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Geraldton District Hospital  
Notes to the Financial Statements  
March 31, 2022

2. ACCOUNTS RECEIVABLE

	March 31, 2022	March 31, 2021
	\$	\$
<b>Unrestricted</b>		
Accounts receivable	1,755,784	609,331
HST receivable	134,871	761,639
	<b>1,890,655</b>	<b>1,370,970</b>
Less allowance for doubtful accounts	(7,205)	(7,205)
	<b>1,883,450</b>	<b>1,363,765</b>

3. PROPERTY, PLANT AND EQUIPMENT

Details of year-end property, plant and equipment balances are as follows:

	March 31, 2022		March 31, 2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Building and building service equipment	40,103,947	14,562,494	20,202,318	13,666,316
Construction in-progress	423,930	-	16,298,625	-
Equipment, furnishings and computer systems	10,300,372	8,059,876	10,194,616	7,690,140
Land	128,489	-	128,489	-
Land improvements	514,038	374,207	514,038	348,710
	<b>51,470,776</b>	<b>22,996,577</b>	<b>47,338,086</b>	<b>21,705,166</b>

<b>Property, plant and equipment, net</b>	<b>28,474,199</b>	<b>25,632,920</b>
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4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	March 31, 2021
	\$	\$
Accounts payable and accrued liabilities	1,983,649	3,561,786
Accrued salaries and wages	634,991	609,957
	<b>2,618,640</b>	<b>4,171,743</b>

Geraldton District Hospital  
Notes to the Financial Statements  
March 31, 2022

**5. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of plant, property and equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	March 31, 2022	March 31, 2021
	\$	\$
Balance, beginning of year	18,836,837	6,027,054
Additional contributions received	984,028	13,158,246
	19,820,865	19,185,300
Less amounts amortized to revenue	636,654	348,463
	19,184,211	18,836,837
<b>Represented by</b>		
Deferred capital contribution being amortized	19,120,956	1,968,827
Unamortized deferred capital contributions	63,255	16,868,010
	19,184,211	18,836,837

Of the amortization above, \$634,281 (2021 - \$346,088) is included on the Statement of Operations as amortization deferred capital contributions. The remaining \$2,373 (2021 - \$2,375) is included in revenues of the Other Programs (note 13) to Nakina Clinic.

**6. EMPLOYEE FUTURE BENEFITS**

The Hospital provides extended health care, dental and life insurance benefits to substantially all full-time employees. One employee group is entitled to continue to receive these benefits upon early retirement until they reach age 65.

At March 31, 2022, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$1,374,404 (2021 - \$1,285,104).

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

Discount rate	3.89%
Dental benefits cost escalation	4.00%
Medical benefits cost escalation - extended health care	7.50% 7.50% in 2022; decreasing by 0.25% per year to an ultimate rate of 5.0%

Included in employee benefits on the Statement of Operations is an amount of \$89,300 (2021 - \$103,800) regarding employee benefits. This amount is comprised of:

	\$
Additional benefits expense for year	142,000
Less payments made during the year by the Hospital on behalf of retirees	(73,000)
	89,300

**Geraldton District Hospital**  
**Notes to the Financial Statements**  
**March 31, 2021**

**7. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT**

(a) Investment in property, plant and equipment is calculated as follows:

	March 31, 2022	March 31, 2021
	\$	\$
Property, plant and equipment	28,474,199	25,632,920
Amounts financed by deferred capital contributions	(19,184,211)	(18,836,837)
	<b>9,289,988</b>	<b>6,796,083</b>

(b) Change in net assets investment in property, plant and equipment is calculated as follows:

	March 31, 2022	March 31, 2021
	\$	\$
<b>Shortfall of revenue over expense</b>		
Amortization of deferred capital contributions	636,654	348,463
Amortization of property, plant and equipment	(1,291,411)	(805,420)
	<b>(654,757)</b>	<b>(456,957)</b>

Of the amortization above, \$902,848 (2021 - \$769,206) is included on the Statement of Operations as amortization. The remaining \$4,689 (2021 \$4,691) is included in expenses of the Other Programs (note 13) to Nakina Clinic.

Net change in investment in property, plant and equipment:

	March 31, 2022	March 31, 2021
	\$	\$
Purchase of property, plant and equipment	4,132,690	14,103,584
Amounts funded by Ontario Ministry of Health and Long-Term Care	(984,028)	(13,158,246)
	<b>3,148,662</b>	<b>945,338</b>

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**Geraldton District Hospital****Notes to the Financial Statements****March 31, 2022**

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**8. RESIDENTS' TRUST FUND**

The balance held in trust at year-end was \$5,105 (2021 \$1,281).

**9. CHANGE IN NON-CASH OPERATIONAL BALANCES**

The net change in non-cash operational balances related to operations is represented by the following:

	March 31, 2022	March 31, 2021
	\$	\$
Accounts receivable	(519,685)	(950,786)
Inventory of supplies	(39,508)	(149,691)
Prepaid expenses	(40,282)	24,013
Accounts payable and accrued liabilities	(1,553,103)	2,501,072
	<b>(2,152,578)</b>	<b>1,424,608</b>

**10. PENSION PLAN**

Substantially all of the Hospital are members of the Hospitals of Ontario Pension Plan (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. On January 1, 2022 the contribution rates were 6.9% (2021 - 6.9%) up to last year's maximum pensionable earnings (YMPE) and 9.2% (2021 - 9.2%) above the YMPE. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by participating members. The most recent actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is 120% funded. Contribution to the Plan made during the year by the Hospital on behalf of its employees amounted to \$585,230 (2021 - \$542,989) and are included in the statement of operations.

**11. COMMITMENTS AND CONTINGENCIES**

- (a) The Hospital has been named in legal action of which the outcome is not determinable. If any of the actions are successful, it is anticipated that all damages will be covered by the Hospital's insurers.
- (b) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2022, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

**11. COMMITMENTS AND CONTINGENCIES CONTINUED**

(c) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premium which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2022.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus which is the total of premiums paid by all subscribers plus investment income less the obligation for claim reserves and expenses and operating expenses. Each subscriber, which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of the HIROC. There are no contributions receivable from the HIROC as of March 31, 2022.

(d) Under the terms of equipment and vehicle operating leases, the Hospital is committed to make minimum lease payments totaling \$21,387 per annum related to leases expiring September 2022 and November 2025.

(e) Geraldton District Hospital, together with other regional hospitals, has an ASO employee benefit plan for semi-private, dental and extended health care benefits. Under the terms of the plan, the Hospital will pay for certain employee benefit claims not exceeding \$5,000 per year. Any excess claims would be insured.

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial instruments**

The Hospital's financial instruments consist of cash and cash equivalents, capital expenditure reserve fund, accounts receivable, accounts payable and accrued liabilities.

The Hospital's financial instruments are generally classified and measured as follows:

<b>Assets/liabilities</b>	<b>Measurement Category</b>	<b>Fair Value Level</b>
Cash and cash equivalents	fair value	Level 1
Capital expenditure reserve fund	fair value/amortized cost	Level 1
Accounts receivable	amortized cost	
Accounts payable and accrued liabilities	amortized cost	

**Fair value measurement**

The following classification system is used to describe the basis of the inputs used to measure the fair value of the financial instruments in the fair value measurement category:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.



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**Geraldton District Hospital****Notes to the Financial Statements****March 31, 2022**

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**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)****Capital Reserve Expenditure Fund**

Capital reserve expenditure fund consists of portfolio investments for the purpose of the Hospital's expansion.

The portfolio investments consist of the following:

Financial Instrument	2022	2021	Measurement Category
	\$	\$	
Bonds	1,194,358	2,530,542	Fair Value
Equity Securities	208,636	284,634	Fair Value
Cash	401,519	1,423,557	Fair Value
	<u>1,804,513</u>	<u>4,238,733</u>	

**Risk and Concentration**

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the Hospital's risk exposure and concentrations as at March 31, 2022.

**Credit risk:**

The Hospital's exposure to credit risk relates to its accounts receivable and arises from possibility that debtors will not fulfill their obligations under their agreements, including non payment by patients for non-insured services, and for services provided to patients. This risk is minimized through continuous monitoring of aged user fee receivable balances, providing for an adequate allowance for doubtful accounts, monitoring government service contracts and cash flows. There has been no change in credit risk from that of the prior year.

**Liquidity risk:**

Liquidity risk is the risk that the Hospital will encounter difficulty raising liquid funds to meet commitments as they arise. In meeting its liquidity requirements the organization monitors its working capital, cash flow requirements and obligations. The organization maintains a target level of available cash to meet liquidity requirement as the come due and has adequate borrowing facilities. There has been no change in liquidity risk from that of prior year.

**Market risk:**

Market risk is the risk that the Hospital's investments, certificate of deposits and mutual funds are exposed to price risks as these investments are subject to price changes in the open market due to a variety of reasons including market interest rate changes, general economic factors and restrictions of credit markets. The Hospital does not use derivative financial instruments to alter the effects of the risk and mitigates this risk by ensuring no individual investment is significant to the overall financial position of the Hospital by limiting investment to a nominal percentage of the total investment portfolio. There has been change in market risk from that of prior year as the Hospital increased its holdings in equity and foreign equity securities.

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**Geraldton District Hospital****Notes to the Financial Statements****March 31, 2022**

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**13. OTHER PROGRAMS**

	2022		2021	
	Revenue	Expenses	Revenue	Expenses
	\$	\$	\$	\$
Nakina Clinic	248,293	247,839	247,982	245,232
Community Support Sector Programs	255,656	275,963	-	-
Municipal Taxes	4,500	4,500	4,500	4,500
Hospital on Call Coverage	110,513	110,513	110,513	110,513
ER/Locum	752,069	752,069	757,429	757,429
	<b>1,371,031</b>	<b>1,390,884</b>	<b>1,120,424</b>	<b>1,117,674</b>

**14. IMPACT OF COVID-19**

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 related to COVID-19. These funding programs are subject to 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. 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 Ministry funding for COVID-19 recognized as revenue in the current year are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses	\$ 710,464	\$ 680,900
Funding for pandemic pay	57,961	312,533
Funding for assessment centre	317,466	99,902
Funding for non-Ministry revenue losses related to COVID-19	-	56,500
	<b>\$ 1,085,891</b>	<b>\$ 1,149,835</b>