Espanola General Hospital

Financial Statements

Year ended March 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Espanola General Hospital ("the Hospital") are the responsibility of the Hospital's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for government not-for-profit organizations established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to these financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Hospital. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.

Karen Lalonde

President, Board of Directors

Jane Battistelli

Chief Executive Officer

May 25, 2023

Date

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Espanola General Hospital

Opinion
We have audited the financial statements of **Espanola General Hospital**, which comprise the statement of financial position as at **March 31, 2023**, and the statements of operations, remeasurement gains and losses, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Espanola General Hospital as at **March 31, 2023**, and its results of operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Espanola General 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 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 Espanola General 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 Espanola General Hospital or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's 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 auditor's 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 these 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 Espanola General 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 Espanola General 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 auditor's 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 auditor's report. However, future events or conditions may cause the Espanola General 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Espanola, Ontario
May 25, 2023

ESPANOLA GENERAL HOSPITAL
Statement of Financial Position
March 31, 2023 with comparative figures for 2022

	2023 $	2022 $
Assets		
Current assets		
Cash	2,508,373	2,569,068
Accounts receivable	1,536,208	551,478
Inventories	324,190	345,838
Prepaid expenses	294,599	195,842
	4,663,370	3,662,226
Portfolio investments (note 4)	4,940,380	4,831,718
Capital assets (note 5)	15,242,736	15,595,880
Capital expenditures for projects in progress	4,087,941	1,011,742
	28,934,427	25,101,566
Liabilities and Net Assets		
Current liabilities		
Demand operating loan (note 6)	635,500	282,000
Accounts payable and accrued liabilities (note 7)	5,473,277	3,584,631
Deferred contributions for capital assets (note 8)	12,675,189	10,346,102
Post-employment benefits (note 9)	857,171	825,239
	19,641,137	15,037,972
Net Assets		
Invested in capital assets (note 10)	6,655,488	6,261,520
Internally restricted for the acquisition of capital assets	153,402	204,442
Unrestricted	2,901,409	3,847,346
	9,710,299	10,313,308
Accumulated remeasurement losses	(417,009)	(249,714)
Total net assets	9,293,290	10,063,594
	28,934,427	25,101,566

Contingent liability (note 17)

Approved on behalf of the Board of Directors:

Karen Lalonde Director

Jane Battistelli Director

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

ESPANOLA GENERAL HOSPITAL
Statement of Operations
Year ended March 31, 2023 with comparative figures for 2022

	2023 $	2022 $
Revenues		
Ministry of Health and Long-Term Care:		
Hospital operations	13,359,737	13,383,628
COVID-19 pandemic non-recurring	889,677	1,722,110
Medical staff funding	2,654,859	2,006,036
Sources other than Ministry of Health and Long-Term Care:		
Other patient revenue	1,473,436	1,265,095
Co-payments	599,007	573,338
Preferred accommodations	41,407	36,742
Recoveries and other revenues	2,633,685	1,659,795
Gain (loss) on disposal of capital assets	(7,148)	135
Amortization of deferred contributions for allowable capital assets	129,822	137,976
	21,774,482	20,784,855
Expenses		
Salaries and wages	10,341,588	9,703,757
Supplies and services	4,151,458	4,059,908
Medical staff remuneration	3,240,742	2,546,901
Employee benefits	3,197,129	2,894,159
Amortization of allowable capital assets	523,521	494,602
Medical and surgical supplies	211,219	238,450
Drugs and medical gases	169,409	182,956
Bad debts	2,820	5,262
	21,837,886	20,125,995
Excess (deficiency) of revenues over expenses before undernoted items	(63,404)	658,860
Other Revenues		
Long-term care program (schedule 1)	3,542,830	3,106,881
Realized investment income on portfolio investments internally restricted for the acquisition of capital assets (note 14)	154,833	138,454
Other votes and programs (note 11)	716,433	162,538
Amortization of deferred contributions for non-allowable capital assets	499,743	479,693
	4,913,839	3,887,566
Other Expenses		
Long-term care program (schedule 1)	4,017,950	3,633,526
Other votes and programs (note 11)	729,878	167,001
Amortization of non-allowable capital assets	705,616	690,534
	5,453,444	4,491,061
Excess (deficiency) of revenues over expenses	(603,009)	55,365

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

ESPANOLA GENERAL HOSPITAL
Statement of Remeasurement Gains and Losses
Year ended March 31, 2023 with comparative figures for 2022

	2023 $	2022 $
Accumulated remeasurement gains (losses), beginning of year	(249,714)	43,428
Unrealized losses attributable to portfolio investments	(167,295)	(293,142)
Accumulated remeasurement losses, end of year	(417,009)	(249,714)

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

ESPANOLA GENERAL HOSPITAL
Statement of Changes in Net Assets
Year Ended March 31, 2023 with comparative figures for 2022

			Unrestricted				
	Invested in capital assets	Internally restricted for acquisition of capital assets	Queensway Place	Operations	Long-Term Care	2023	2022
	$	$	$	$	$	$	$
	(note 10)		(note 15)		(schedule 1)		
Net assets, beginning of year	6,261,520	204,442	401,241	11,008,680	(7,562,575)	10,313,308	10,257,943
Excess (deficiency) of revenues over expenses	(620,102)	154,833	140,151	183,847	(461,738)	(603,009)	55,365
Transfers for net assets invested in capital assets	1,014,070	(205,873)	-	(808,197)	-	-	-
Net assets, end of year	6,655,488	153,402	541,392	10,384,330	(8,024,313)	9,710,299	10,313,308

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

ESPANOLA GENERAL HOSPITAL
Statement of Cash Flows
Year Ended March 31, 2023 with comparative figures for 2022

	2023 $	2022 $
Operating transactions		
Cash provided by (used for):		
Excess (deficiency) of revenues over expenses	(603,009)	55,365
Items not involving cash		
Amortization of capital assets	1,340,778	1,281,053
Amortization of deferred contributions for capital assets	(727,824)	(700,596)
(Gain) loss on disposal of capital assets	7,148	(135)
	17,093	635,687
Net change in operational working capital		
Accounts receivable	(984,730)	250,737
Inventories	21,648	(3,287)
Prepaid expenses	(98,757)	(19,353)
Accounts payable and accrued liabilities	1,888,646	301,548
Post-employment benefits	31,932	4,707
	875,832	1,170,039
Investing transactions		
Change in portfolio investments	(275,957)	38,843
Capital transactions		
Purchase of capital assets	(981,185)	(1,047,627)
Purchase of construction projects in progress capital assets	(3,089,796)	(927,890)
	(4,070,981)	(1,975,517)
Financing transactions		
Demand operating loan	353,500	282,000
Deferred contributions for capital assets received	3,056,911	794,061
	3,410,411	1,076,061
Net increase (decrease) in cash	(60,695)	309,426
Cash, beginning of year	2,569,068	2,259,642
Cash, end of year	2,508,373	2,569,068

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

1. Nature of Organization

The **Espanola General Hospital** is principally involved in providing health care services to the residents of the Espanola area. The Hospital is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada) and accordingly is exempt from income tax.

2. Significant Accounting Policies

The financial statements of the Hospital are prepared using Canadian public sector accounting standards, including the PS 4200 series of standard applicable to government not-for-profit organizations, as issued by the Public Sector Accounting Board. The significant policies are detailed as follows:

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 Ministry of Health and Long-Term Care ("MOHLTC"). 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 agreed arrangements approved by the Ministry with respect to the year ended March 31, 2023.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from provincial insurance plan, preferred accommodation and marketed services are recognized when the goods are sold, or the service is provided.

b) Contributed Services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

2. Significant Accounting Policies (continued)

c) Inventories

Inventories are valued at the lower of cost and current replacement cost.

d) Capital Assets and Amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its estimated realizable value.

Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Equipment	5 to 20 years
Software	5 years
Land improvements	5 to 25 years
Building service equipment	5 to 25 years
Leasehold improvements	15 years

Capital expenditures for projects in progress are not recorded as a capital asset or amortized until construction is complete and the asset is put into service.

e) Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's policies for vacation and overtime.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Accounting estimates used in the preparation of the accompanying financial statements include allowance for uncollectible accounts receivable, estimated useful lives of capital assets and post-employment benefits liability.

2. Significant Accounting Policies (continued)

g) Retirement and Post-Employment Benefits

The Hospital provides retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental benefits. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

i) The costs of post-employment benefits are determined using management`s best estimate of health care costs, employee turnover rates and discount rates. Adjustments to these costs arising from plan amendments and changes in estimates are accounted for in the period of the amendment or change.

ii) The expense related to the multi-employer defined benefit pension plan are the employer`s contributions to the plan in the year.

iii) The discount rate used in the determination of post-employment benefits is equal to the Hospital`s internal rate of borrowing.

h) Financial Instruments

The Hospital initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Hospital subsequently measures its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity securities that are quoted in an active market or financial assets designated to the fair value category, which 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, at which point they are transferred to the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, demand operating loan, and accounts payable and accrued liabilities.

Financial assets measured at fair value include portfolio investments. The Hospital has designated its bond portfolio that would otherwise be classified into the amortized cost category, at fair value as the Hospital manages and reports performance on the portfolio on a fair value basis.

3. Adoption of New Accounting Standard – Asset Retirement Obligations

Effective April 1, 2022, the Hospital adopted the requirements of the CPA Canada Public Sector Accounting Handbook section 3280 – Asset Retirement Obligations. This section establishes standards on how to recognize, measure and report a liability associated with future obligations required to retire certain tangible capital assets at the end of their useful lives.

These are the Hospital's first financial statements prepared after the adoption of this new accounting standard and it has been applied retrospectively.

The adoption of section 3280 – Asset Retirement Obligations has had no impact on the assets, liabilities and net assets of the Hospital, and accordingly, no adjustments have been recorded in the statements of financial position, operations, remeasurement gains and losses, changes in net assets and cash flows presented in these financial statements for comparative purposes.

4. Portfolio Investments

The Hospital's portfolio investments consist of cash, bonds and debentures, with a total cost of $5,357,389 (2022 - $5,081,432) which bear interest at varying rates between 2.47 % and 4.30% per annum with maturity dates between March 2024 and April 2042.

Maturity profile of cash and bonds held is as follows:

	Within 1 Year	2 to 5 Years	6 to 10 Years	Over 10 Years	Total
Carrying value, at fair market value	1,304,057	1,916,236	672,156	1,047,931	4,940,380
Percent of total	26%	40%	14%	20%	100%

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market date (unobservable inputs).

Fair value of the Hospital's portfolio investments have been determined using Level 1 measures in the fair value hierarchy.

5. Capital Assets

	2023		2022	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
	$	**$**	**$**	**$**
Land	129,275	-	129,275	-
Buildings	20,485,279	10,302,866	20,485,279	9,752,132
Equipment and software	10,988,346	8,951,092	10,546,156	8,442,980
Land improvements	1,688,231	1,233,500	1,688,231	1,195,803
Building service equipment	7,758,164	5,319,101	7,263,233	5,125,379
Leasehold improvements	270,796	270,796	270,796	270,796
	41,320,091	26,077,355	40,382,970	24,787,090
Net book value		15,242,736		15,595,880

6. Bank Financing

Toronto Dominion Bank has authorized a demand operating credit facility to a maximum of $300,000 which is unsecured and bears interest at the bank's prime rate of interest less 0.75% per annum.

The Toronto Dominion Bank has also authorized an interim demand credit facility to a maximum of $2,000,000 which is unsecured and bears interest at the bank's prime rate of interest less 0.85% per annum.

Finally, the Toronto Dominion Bank has authorized a single draw credit facility to a maximum, of $2,000,000 to retire the interim demand credit facility, unsecured and bears interest at the banks prime rate of interest less 0.85% per annum, for a term of up to 20 years.

At March 31, 2023, $635,500 has been drawn on the interim demand credit facility.

7. Accounts Payable and Accrued Liabilities

	2023	2022
	$	**$**
Wage accruals		
Wages and payroll deductions	1,359,852	960,370
Vacation and statutory holiday pay	1,100,630	1,049,735
	2,460,482	2,010,105
Ministry of Health and Long-Term Care	-	137,502
Other payables and accrued liabilities	3,012,795	1,437,024
	5,473,277	3,584,631

8. Deferred Contributions for Capital Assets

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

	2023 $	2022 $
Balance, beginning of year	10,346,102	10,252,637
Additional contributions received	3,056,911	794,061
Less amounts amortized to revenue	(727,824)	(700,596)
Balance, end of year	12,675,189	10,346,102

9. Post-Employment Benefits

Espanola General Hospital pays certain benefits on behalf of its retired employees. The Hospital recognizes these post-retirement costs in the period in which the employees rendered their services. The accrued benefit liability of $857,171 (2022 - $825,239) and the expense for the period ended March 31, 2023, in the amount of $75,826 (2022 - $46,518) were determined using a discount rate of 4.04% (2022 – 3.89%).

Information about Espanola General Hospital's defined benefit plan is as follows:

	2023 $	2022 $
Accrued benefit obligation, beginning of year	825,239	820,532
Expense for the period	75,826	46,518
Benefits paid for the period	(43,894)	(41,811)
Accrued benefit obligation, end of year	857,171	825,239

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate:

The obligation as at March 31, 2023 for the present value of future liabilities and the expense for the period ended March 31, 2023 were determined using an annual discount rate of 4.04% (2022 – 3.89%).

(b) Benefits costs

Future general benefit costs were assumed to increase at 3% per annum.

(c) Turnover rate

Turnover due to termination, resignation or mortality has been estimated at 3% per annum.

10. Net Assets Invested in Capital Assets

	2023 $	2022 $
a) Net assets invested in capital assets are calculated as follows:		
Capital assets	15,242,736	15,595,880
Capital expenditures for projects in progress	4,087,941	1,011,742
	19,330,677	16,607,622
Deferred contributions for capital assets	12,675,189	10,346,102
Net assets invested in capital assets	6,655,488	6,261,520
b) Change in net assets invested in capital assets is calculated as follows:		
Excess of expenses over revenues:		
Amortization of deferred contributions for capital assets	727,824	700,596
Loss (gain) on disposal of capital assets	(7,148)	135
Amortization of capital assets	(1,340,778)	(1,281,053)
	(620,102)	(580,322)
Change in net assets invested in capital assets:		
Purchase of capital assets	981,185	1,047,627
Expenditures for projects in progress	3,089,796	927,890
Deferred capital contributions received	(3,056,911)	(794,061)
	1,014,070	1,181,456
Change in net assets invested in capital assets	393,968	601,134

11. Other Votes and Programs

	Revenue $	Expenses $	Surplus (Deficit) $
Community Support Services	711,783	725,228	(13,445)
Municipal taxes	4,650	4,650	-
	716,433	729,878	(13,445)

12. Pension Plan

Substantially all of the employees of the Hospital are members of the Healthcare 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 assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the amounts contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. 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 the participating members. The most recent actuarial valuation of the plan indicates the Plan is fully funded.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $963,359 (2022 - $890,459) and are included in the statement of operations.

At December 31, 2022, the HOOPP pension plan had total assets of $185.1 billion
(2021 - $217.2 billion) and an accumulated surplus of $11.0 billion (2021 - $28.5 billion).

13. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring, to another party, financial risks. The Hospital is exposed to the following risks in relation to financial instruments and transactions it is a party to:

a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Hospital is exposed to this risk relating to its cash, portfolio investments and accounts receivable.

The Hospital holds its cash accounts and portfolio investments with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The Hospital is exposed to credit risk in accounts receivable which includes patient, insurance, government and other receivables. The Hospital measures and manages its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including managements on-going monitoring of accounts receivable balances and collections.

13. Financial Instruments (continued)

b) Liquidity risk

Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. The Hospital is exposed to this risk relating to its accounts payable and accrued liabilities.

The Hospital reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay creditors as payables become due.

c) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is exposed to interest rate risk associated with its demand operating loan interest, which is variable based on prime lending rates and fluctuates over time due to a variety of financial markets' factors. Changes in the demand operating loan interest rate may cause future changes in interest expenses and associated cash flows and excess (deficiency) of revenue over expenses.

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

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital does not have material transactions or financial instruments denominated in foreign currencies.

ii) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its interest-bearing investments.

The Hospital's bond portfolio has interest rates and maturities as detailed in note 3 to the financial statements. The Hospital does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to the Hospital is low.

13. Financial Instruments (continued)

iii) Other price risk

Other price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets. The Hospital does not have material equity holdings within its investment portfolio.

There have not been significant changes from the previous year in the exposure to any of the above risks or policies, procedures and methods used to measure these risks.

14. Internal Restrictions for Capital Assets

The Board of Directors has restricted net assets for the acquisition of capital assets. This internally restricted amount is not available for other purposes without approval by the Board of Directors.

Investment income recorded in the statement of operations is calculated as follows:

	2023 $	2022 $
Total investment income	154,833	138,454
Less: amounts internally restricted for the acquisition of capital assets	154,833	138,454
Investment income recognized as operating revenue	-	-

15. Queensway Place

Queensway Place is a supportive housing program which is designed to be self supporting over the long term. The program tracks revenues and expenses and each year the Board segregates the portion of surplus or deficit which pertains to Queensway Place.

The Queensway Place program began active operations in July 1998.

16. Espanola General Hospital Auxiliary and Foundation

a) Espanola General Hospital Auxiliary

The Espanola General Hospital Auxiliary is an ancillary volunteer organization. Under their constitutions and by-laws, the stated purpose of the Auxiliary is to assist the Espanola General Hospital. The Auxiliary is managed by an Executive Board elected by the members.

The financial statements of the Auxiliary have not been consolidated in the Espanola General Hospital financial statements. Financial statements of the auxiliary are available upon request. Financial summaries of the Auxiliary at March 31 are as follows:

	2022 **$**
Financial Position	
Total assets	18,330
Total net assets	18,330
Results of Operations	
Total revenues	21,181
Total expenditures	16,352
Deficiency of revenues over expenditures	4,829

16. Espanola General Hospital Auxiliary and Foundation (continued)

b) Espanola General Hospital Foundation

The Foundation is incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). The Espanola General Hospital Foundation raises funds from the community for the benefit of the Hospital.

The financial statements of the Foundation have not been consolidated in the Hospital's financial statements. Financial statements of the Foundation are available upon request. Financial summaries of the Foundation at March 31 are as follows:

	2023 $	2022 $
Financial Position		
Total assets	154,818	62,387
Total liabilities	116,786	71,753
Total net assets	38,032	(9,366)
Results of Operations		
Total revenues	224,095	132,095
Total expenditures	176,697	125,577
Excess of revenues over expenditures	47,398	6,518

During the year, amounts not separately disclosed in the financial statements include the following:

i) An amount receivable of $99,554 (2022 - $7,683) has resulted from the Hospital paying for expenses of the Foundation on their behalf in excess of amounts reimbursed. The amount is included in accounts receivable on the statement of financial position.

ii) An amount of $95,554 (2022 - $82,330) has been donated by the Foundation to the Hospital.

17. Contingent Liability

Subsequent to year-end, the Hospital was named as a defendant in a breach of contract claim totaling $950,000. This claim is being contested by the Hospital and, due to the early stages of this process, it is not possible at this time to predict the ultimate outcome. Accordingly, no provision for liability, if any, has been accrued in these financial statements.

18. COVID-19 Pandemic

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada and its provinces, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2023 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date. Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption to the Hospital cannot be reasonably estimated and the full financial impact of COVID-19 on the Hospital's financial position is not known at this time.

SCHEDULE 1

ESPANOLA GENERAL HOSPITAL
Schedule of Long-Term Care Operations
Year Ended March 31, 2023 with comparative figures for 2022

	2023 $	2022 $
Revenues:		
Ministry of Health and Long-Term Care - Operations	2,381,938	1,997,515
Ministry of Health and Long-Term Care - Pandemic non-recurring	360,026	348,919
Co-payments	600,101	583,777
Preferred accommodations	56,651	57,461
Recoveries and other revenue	45,855	36,282
Amortization of deferred contributions for capital assets	98,259	82,927
	3,542,830	3,106,881
Expenses:		
Medical Remuneration	17,246	14,150
Nursing Expenses		
Salaries and benefits	1,934,912	1,726,941
Supplies and other	105,513	150,652
Program and Support		
Salaries and benefits	117,001	92,838
Supplies and other	45,036	49,808
Accommodation Expenses		
Salaries and benefits	1,263,341	1,133,164
Supplies and other	193,092	165,240
Food costs	133,204	115,862
Plant operations	82,911	82,971
Bad debts	14,053	5,983
Amortization of capital assets	111,641	95,917
	4,017,950	3,633,526
Deficiency of revenues over expenses	(475,120)	(526,645)