

Financial Statements of

BROCKVILLE GENERAL HOSPITAL

Year ended March 31, 2023

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets (Deficiency)

Statement of Cash Flows

Notes to Financial Statements



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Brockville General Hospital

Opinion

We have audited the financial statements of the Brockville General Hospital (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) 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 Entity as at March 31, 2023, and its results of operations, its cash flows and the remeasurement gains and losses 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 auditor's report.

We are independent of the Entity 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.



Emphasis of matter – Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated as a result of the modified retroactive application of the asset retirement obligation standard. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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.



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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 Entity'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 Entity'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 Entity 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada
June 22, 2023

BROCKVILLE GENERAL HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Assets		
Current assets:		
Cash	\$ 5,021,180	\$ 14,702,500
Receivable from Ministry of Health/Ontario Health	3,113,139	8,360,515
Accounts receivable	2,935,733	3,074,701
Inventory of supplies	1,074,993	1,110,702
Prepaid expenses	1,231,354	1,124,386
	13,376,399	28,372,804
Restricted cash (note 3)	410,584	422,025
Capital assets (note 4)	228,314,913	230,803,916
	\$ 242,101,896	\$ 259,598,745

Liabilities, Deferred Contributions and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,954,333	\$ 35,133,224
Accrued employee future benefits liability (note 5)	3,213,400	3,238,100
Asset retirement obligation (note 10)	1,995,000	1,995,000
Deferred contributions (note 6):		
Expenses of future periods	610,536	616,444
Capital assets	198,642,386	204,929,736
	228,415,655	245,912,504
Net assets (deficiency):		
Invested in capital assets (note 7(a))	29,672,527	25,874,180
Other internally restricted (note 8(a))	36,834	48,275
Endowments (note 8(b))	19,397	19,397
Unrestricted (deficiency)	(16,042,517)	(12,255,611)
	13,686,241	13,686,241
Contingencies (note 11)		
Commitments (note 12)		
	\$ 242,101,896	\$ 259,598,745

See accompanying notes to financial statements.

On behalf of the Board:


Director
JAMES E. WOOD


Director

BROCKVILLE GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Ministry of Health/Ontario Health (note 17)	\$ 97,125,262	\$ 89,433,594
Provincial insurance plan	7,829,515	7,951,785
Patient revenue from other payers	834,859	845,466
Co-payments	149,556	182,294
Preferred accommodation	149,069	159,024
Funding for other programs	1,940,600	1,932,721
Amortization of deferred contributions for equipment capital assets	1,439,758	1,443,444
Recoveries and other revenue	5,527,600	5,875,528
Investment income (note 13)	102,164	21,866
	<u>115,098,383</u>	<u>107,845,722</u>
Expenses:		
Medical staff remuneration	11,602,908	11,825,456
Employee salary and benefits	74,299,502	67,074,786
Drugs	1,548,774	1,537,259
Medical and surgical supplies	5,728,373	4,437,852
Supplies and other expenses	18,649,396	16,740,246
Interest	6,275	251,622
Amortization of equipment	2,672,829	2,600,006
	<u>114,508,057</u>	<u>104,467,227</u>
Excess of revenue over expenses from Hospital operations	590,326	3,378,495
Amortization of deferred contributions related to capital assets – building	6,183,457	6,116,720
Amortization of capital assets - building	(6,773,783)	(6,699,221)
Excess of revenue over expenses	<u>\$ –</u>	<u>\$ 2,795,994</u>

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets (note 7(a))	Other internally restricted (note 8(a))	Endowments (note 8(b))	Unrestricted	2023 Total	2022 Total (Restated - note 2)
Balance (deficiency), beginning of year	\$ 25,874,180	\$ 48,275	\$ 19,397	\$ (12,255,611)	\$ 13,686,241	\$ 12,885,247
Adjustment upon adoption of PS 3280 (note 2)	–	–	–	–	–	(1,995,000)
Balance (deficiency), beginning of year as restated	25,874,180	48,275	19,397	(12,255,611)	13,686,241	10,890,247
Excess (deficiency) of revenue over expenses	(1,823,397)	–	–	1,823,397	–	2,795,994
Investment in capital assets	5,621,744	–	–	(5,621,744)	–	–
Internally imposed restrictions	–	(11,441)	–	11,441	–	–
Balance (deficiency), end of year	\$ 29,672,527	\$ 36,834	\$ 19,397	\$ (16,042,517)	\$ 13,686,241	\$ 13,686,241

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ —	\$ 2,795,994
Items not involving cash:		
Amortization of deferred contributions for capital assets	(7,623,215)	(7,560,164)
Amortization of capital assets	9,446,612	9,299,227
Change in accrued employee future benefits liability	(24,700)	71,500
Cash provided by (used in) the following operational balances:		
Receivable from Ministry of Health/Ontario Health	5,247,376	22,661,482
Accounts receivable	138,969	(445,785)
Inventory of supplies	35,709	86,458
Prepaid expenses	(106,968)	25,477
Accounts payable and accrued liabilities	(11,178,892)	12,318,149
Deferred contributions received for future expenses	(5,908)	58,720
	(4,071,017)	39,311,058
Capital activities:		
Purchase of capital assets	(6,957,609)	(11,280,469)
Deferred contributions for capital assets	1,335,865	4,861,499
	(5,621,744)	(6,418,970)
Financing activities:		
Principal payments on debt	—	(11,991,030)
Increase (decrease) in cash	(9,692,761)	20,901,058
Cash (bank indebtedness), beginning of year	15,124,525	(5,776,533)
Cash, end of year	\$ 5,431,764	\$ 15,124,525
Cash is comprised of the following:		
Cash	\$ 5,021,180	\$ 14,702,500
Restricted cash	410,584	422,025
	\$ 5,431,764	\$ 15,124,525

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

The Brockville General Hospital, (the "Hospital") was incorporated in 1885 under an Act respecting Benevolent, Provident and other Societies, being Chapter 167 of the Revised Statutes of Ontario, 1877. Its principal activity is the operation of a health care facility in Brockville, Ontario. The Brockville General Hospital is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

(a) Revenue recognition:

The Hospital is funded primarily by the Ministry of Health/Ontario Health ("MOH"). 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.

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the MOH with respect to the year ended March 31, 2023.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Contributions of non-amortizable capital assets are recorded as direct increases in net assets in the year in which they are received.

Other revenue is recorded as earned and when services are performed.

(b) Contributed services:

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

(c) Inventory of supplies:

Inventory of supplies is valued at the lower of average cost and net replacement value.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life and capacity of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis using the following annual rates per MOH guidelines:

Land improvements	5% to 12.5%
Buildings	2% to 5%
Building service equipment	4% to 10%
Equipment, furnishings and software	5% to 33.33%
Information system software and equipment	20% to 33.33%

Costs of construction and planning in progress are capitalized. Amortization is not recognized until construction is complete and the assets are put into use.

(e) Vacation pay:

Vacation pay is accrued for all employees as entitlement to these payments is earned in accordance with the Hospital's benefit plan for vacation.

(f) Employee future benefits:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn non-pension post-retirement benefits. The cost of such benefits earned by the employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees and expected health and dental care costs.

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

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the remaining service period of active employees. The average remaining service period of active employees covered by the employee benefit plan is 14 years (2022 - 14 years).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(g) Multi-employer pension plan:

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2022 disclosed actuarial assets of \$103,672 million (2021 - \$114,414 million) with accrued pension liabilities of \$92,721 million (2021 - \$85,902 million), resulting in a surplus of \$10,951 million (2021 - \$28,512 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 based on the assumptions and methods adopted for the valuation.

(h) Use of estimates:

The preparation of financial statement 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 reporting period. Actual results could differ from those estimates.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to subsequently carry financial instruments at fair value.

Long-term debt is recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations.

(j) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2023.

(k) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(k) Asset retirement obligations (continued):

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation. The Hospital has not recognized any asset retirement obligations as of March 31, 2023, or 2022.

2. Change in accounting policies:

On April 1, 2022, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Hospital's asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to buildings owned by the Hospital that contain asbestos. The buildings were originally purchased or constructed prior to 1962, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 50 years, and the estimate has not been changed since purchase or construction.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

- An increase of \$1,995,000, to the buildings capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of the same amount to accumulated amortization, representing fifty years of increased amortization had the liability originally been recognized;
- An asset retirement obligation in the amount of \$1,995,000, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets of \$1,995,000, representing fifty years of accumulated amortization expense on the buildings asset and the portion of the liability charged directly to expense for assets no longer in productive use.

3. Restricted cash:

Restricted cash represents funds received from the Brockville and District Hospital Foundation. These funds are externally restricted through the J.E. Johnson Bequest fund.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value (Restated- note 2)
Land	\$ 3,357,835	\$ –	\$ 3,357,835	\$ 3,357,835
Land improvements	7,800,808	1,173,250	6,627,558	7,004,009
Buildings and building service equipment including asset retirement costs	252,536,099	53,101,090	199,435,009	204,353,181
Equipment, furnishings and software	52,802,943	41,199,654	11,603,289	12,565,543
Information system software and equipment	12,647,917	11,144,244	1,503,673	1,411,456
Construction and planning in progress	5,787,549	–	5,787,549	2,111,892
	<u>\$ 334,933,151</u>	<u>\$ 106,618,238</u>	<u>\$ 228,314,913</u>	<u>\$ 230,803,916</u>

Cost and accumulated amortization of capital assets at March 31, 2022 amounted to \$327,975,541 and \$97,171,625, respectively.

On February 21, 2018, the Hospital was approved to renovate and build an addition to the Charles Street site for a Complex Continuing Care/Mental Health/Rehabilitation Project (“Project”). The MOH approved a total project cost of \$179 million, with maximum MOH funding of up to \$159 million.

The addition accommodated the transfer of all services previously provided at the Hospital’s Garden Street site, as well as additional acute care beds.

This project was completed in fiscal 2021. Total project costs amounted to \$187 million, with costs in the amount of \$176.5 million capitalized to building, \$7.1 million capitalized to land improvements and \$3.4 million capitalized to equipment, furnishings and software.

MOH funding received amounted to \$159 million and is included in deferred capital contributions on the Statement of Financial Position.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Employee future benefits:

- (a) The Hospital has defined benefit plans providing post-retirement health care, dental and life insurance benefits covering substantially all retirees and permanent full-time employees. There are no assets associated with these benefit plans. Information about the Hospital's defined post-retirement benefit plans, in aggregate, is as follows:

	2023	2022
Accrued benefits obligation, beginning of year	\$ 3,629,300	\$ 2,657,300
Adjustment	—	1,078,100
Current service cost	263,800	281,400
Interest on accrued benefits	134,500	113,100
Actuarial experience	(299,300)	(265,600)
Benefits payments	(316,000)	(235,000)
Accrued benefits obligation, end of year	3,412,300	3,629,300
Unamortized actuarial experience loss	(198,900)	(391,200)
Accrued employee future benefits liability, end of year	\$ 3,213,400	\$ 3,238,100

An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of employee future benefits was completed as at April 1, 2021.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefits obligation at the beginning and end of the year are as follows:

Discount rate	3.6% per annum (2022 – 2.9%)
Dental cost escalation	3.0% per annum (2022 - 3.0%)
Health care cost escalation	5.57% per annum (2022 - 5.57%)

- (b) The Hospital's post-retirement benefit plans expense is as follows:

	2023	2022
Current service cost	\$ 263,800	\$ 281,400
Interest on accrued benefits	134,500	113,100
Amortization of actuarial gain	(107,000)	(88,000)
	\$ 291,300	\$ 306,500

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions for expenses of future periods represent unspent government grants and externally restricted provincial grants, donations, bequests and fundraising for particular purposes.

	2023	2022
Balance, beginning of year	\$ 616,444	\$ 557,724
Additional contributions	113,031	108,468
Less amount recognized as revenue in the year	(118,939)	(49,748)
Balance, end of year	\$ 610,536	\$ 616,444

The balance of deferred contributions for expenses of future periods consists of the following:

	2023	2022
J.E. Johnson Bequest	\$ 373,750	\$ 373,750
Other	236,786	242,694
	\$ 610,536	\$ 616,444

(b) Capital assets:

Deferred contributions for capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2023	2022
Balance, beginning of year	\$ 204,929,736	\$ 207,628,401
Additional contributions	1,335,865	4,861,499
Less amount amortized to revenue	(7,623,215)	(7,560,164)
Balance, end of year	\$ 198,642,386	\$ 204,929,736

The balance of deferred contributions for capital assets consists of the following:

	2023	2022
Unamortized capital contributions used to purchase assets	\$ 198,642,386	\$ 204,929,736
	\$ 198,642,386	\$ 204,929,736

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 228,314,913	\$ 230,803,916
Amounts financed by deferred contributions	(198,642,386)	(204,929,736)
	<u>\$ 29,672,527</u>	<u>\$ 25,874,180</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2023	2022
Excess of expenses over revenue:		
Amortization of deferred contributions for capital assets	\$ 7,623,215	\$ 7,560,164
Amortization of:		
Buildings	(6,773,783)	(6,699,221)
Equipment	(2,672,829)	(2,600,005)
	<u>(1,823,397)</u>	<u>(1,739,062)</u>
Net change in investment in capital assets:		
Purchase of capital assets	6,957,609	11,280,469
Amount financed by deferred contributions	(1,335,865)	(4,861,499)
Repayment of bank loan	—	9,468,807
	<u>5,621,744</u>	<u>15,887,777</u>
	<u>\$ 3,798,347</u>	<u>\$ 14,148,715</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Restrictions on net assets:

- (a) Other net assets internally restricted represent the unexpended balance of income on the J.E. Johnson Bequest of \$373,750 included in deferred contributions for expenses of future periods. The Hospital's Board of Directors considers the income from the bequest to be restricted in the same manner as the bequest itself, that is, its expenditure is subject to the approval of the Board of Directors of Brockville General Volunteer Association. The Board of Directors restricts net assets as follows:

	2023	2022
Beginning balance	\$ 48,275	\$ 47,550
Net income on fund	18,570	2,007
Draw from fund for expenditures	(30,011)	(1,282)
	<u>\$ 36,834</u>	<u>\$ 48,275</u>

- (b) Endowments net assets represent endowment capital which cannot be expended.

9. Bank indebtedness:

The Hospital's financial agreement with its bank provides for an operating facility of up to \$8,000,000 to finance (operating and capital) expenses, with a \$Nil (2022 - \$8,000,000) annual seasonal bulge from February 15 to April 15 to adjust for timing of the MOH cash advance. As at March 31, 2023, \$Nil (2022 - \$Nil) was drawn.

Interest paid on this facility during 2023 amounted to \$6,275 (2022 - \$26,139).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Asset retirement obligation:

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ 1,995,000	\$ –
Adjustment on adoption of PS 3280 asset retirement obligation (note 2)	–	1,995,000
Opening balance, as restated	1,995,000	1,995,000
Less: obligations settled during the year	–	–
Balance, end of year	\$ 1,995,000	\$ 1,995,000

11. Contingencies:

- (a) 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, 2023, management believes that the Hospital has valid defenses and appropriate insurance coverages 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.
- (b) Healthcare Insurance Reciprocal of Canada ("HIROC" or the "Reciprocal") was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. The Reciprocal is licensed in Ontario, Manitoba, Newfoundland and Labrador, Saskatchewan, Alberta, Nova Scotia, Northwest Territories, Yukon and Nunavut. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian health care organizations. Since 1987 coverage has been provided for health care liability risks and during 2003 coverage was extended to include property risks.

The Financial Services Commission of Ontario and the Insurance Act of Ontario require that the Reciprocal maintain a surplus of assets over liabilities.

Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. There are no such assessments payable to HIROC as at March 31, 2023.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Contingencies (continued):

(b) (continued):

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 claims 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 HIROC. There are no such distributions receivable from HIROC as at March 31, 2023.

(c) Employment matters:

During the normal course of operation, 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.

12. Commitments:

- (a) The Hospital has entered into a contract with Kingston Regional Hospital Laundry Services for laundry services for an initial term of April 1, 2015 until August 31, 2020. This contract was renewed for a four-year term, until August 31, 2024, with the option to renew for up to three additional five-year terms.
- (b) The Hospital has entered into a contract with Kingston Health Sciences Centre and the Southeastern Ontario Academic Medical Organization for laboratory and pathology services for an initial term of July 6, 2017 until June 30, 2022 with the option to renew for five years.
- (c) The Hospital is currently in the implementation phase of a major information systems project (referred to as "Lumeo RHIS") to replace its current core clinical system over the next four years. The project will be delivered under a "Governance and Master Services Agreement" led by Kingston Health Sciences Centre in partnership with Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smith Falls District Hospital, Providence Care Centre, and Quinte Health Care Hospital. The partners have gone through a rigorous process of procurement and planning over the past five years and agreed to commence implementation in July 2021. Under the agreement, the Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs. In 2021, the Hospital's Board of Directors approved the project with a total cost of ownership of approximately \$15 million over 10 years.

Costs incurred to date of \$4,400,000 (2022 - \$890,000) are included in capital assets on the Statement of Financial Position relating to this project and have been financed using internal resources.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Commitments (continued):

(c) (continued):

The Hospital is currently developing a financing strategy to support capital costs relating to the project. Future commitments relating to the project are expected to change based on the actual expenses incurred by the project.

(d) The Hospital has entered into an agreement to purchase capital equipment of approximately \$7.5 million. The remaining commitment at March 31, 2023 is approximately \$7.0 million.

13. Investment income:

Investment income earned is reported as follows:

	2023	2022
Income earned on unrestricted resources	\$ 83,594	\$ 19,859
Income earned on externally restricted resources: JEJ Bequest Fund	18,570	2,007
	\$ 102,164	\$ 21,866

14. 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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$4,161,000 (2022 - \$4,028,000) and are recorded in the Statement of Operations.

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. 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 Plan's 2022 Annual Report indicates the plan is fully funded at 117%.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Other information:

- (a) The Brockville & District Hospital Foundation (the "Foundation") is incorporated without share capital under the Ontario Corporations Act. It is a non-profit corporation established for the purpose of receiving and maintaining a fund or funds and applying all or part of the principal and the income therefrom to the Hospital or such other organizations whose objectives are similar to or congruent with the Hospital. The Foundation qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Hospital has an economic interest, but not control of the Brockville & District Hospital Foundation.

During the year, the Hospital received \$1,339,670 (2022 - \$1,943,956) from the Foundation for the purchase of capital and operating needs.

The net assets and results of operations of the Foundation are not included in the financial statements of the Hospital.

- (b) Brockville General Hospital is a member of a group of six hospitals with the South East Local Health Integration Network which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project received start-up funding from the Ministry of Finance. The four-year project implementation period commenced with the signing of a transfer payment agreement in March 2008 and was completed in 2012.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operation of the 3SO are not included in the financial statements.

The Hospital has signed a commitment to the project, expiring June 2024 and has provided a limited guarantee up to a maximum of \$80,500 of a \$1,000,000 line of credit secured by 3SO, representing the Hospital's proportionate share of 8.05%. As at March 31, 2023, 3SO had drawn \$Nil (2022 - \$Nil) on the line of credit, of which the Hospital guarantees \$Nil (2022 - \$Nil).

On March 29, 2023, 3SO entered into an Asset Purchase Agreement with Mohawk Medbuy Corporation ("MMC"), which saw MMC substantially purchase all the assets and liabilities of 3SO, effective April 1, 2023. The Members of 3SO approved the dissolution and wind-up of the Organization's legal entity upon finalization of the transaction and completion of certain administrative tasks, which is expected to take place in early summer 2023.

- (c) The Hospital has economic interest in the Brockville General Volunteer Association by way of the Hospital holding resources that are used by the Volunteer Association to produce revenue. The net assets and results of the operations of the Volunteer Association are not included in the financial statements of the Hospital.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risks and concentration of credit risks:

(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 the accounts receivable.

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, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of allowance for doubtful accounts at March 31, 2023 is \$218,254 (2022 - \$145,089).

There have been no significant changes to the credit risk exposure from 2022.

(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. During the year, the Hospital's liquidity risk has increased as a result of the Hospital's investment in capital assets and the repeal of Bill 124. As at March 31, 2023, the Hospital continues to experience a working capital deficiency. As at March 31, 2023, the Hospital's current liabilities exceed its current assets by \$10,577,934 (2022 - \$6,760,420). The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations and provides regular reporting on financial results to the Board of Directors.

The Hospital has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. The Hospital has sufficient financial arrangements in place including an operating line of credit as outlined in note 9 to settle this one-time obligation in the short term.

The Hospital's liquidity risk has increased in the year due to the effect of capital investments and the repeal of Bill 124 on its overall liquidity.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposure within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risks and concentration of credit risks (continued):

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk.

There have been no significant changes to the interest rate risk exposure from 2022.

17. Ministry of Health/Ontario Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry of Health/Ontario Health ("MOH") has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain volume-based programs towards COVID-19 costs and other operational pressures through a broad-based funding reconciliation.

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

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. 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 on the Statement of Operations are summarized below:

	2023	2022
Funding for incremental COVID-19 operating expenses	\$ 1,351,077	\$ 4,108,232
Funding for COVID-19 assessment centre	1,217,276	1,424,895
Funding for temporary wage enhancement	–	118,088
Funding for temporary physician funding	775,789	1,424,975
	<u>\$ 3,344,142</u>	<u>\$ 7,076,190</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Ministry of Health/Ontario Health pandemic funding (continued):

In addition to the above, the Hospital has also recognized \$Nil (2022 - \$200,922) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

18. Impact of Bill 124:

On November 29, 2022, the Ontario Superior Court declared Bill 124 as void and of no effect. Also known as the Protecting a Sustainable Public Sector for Future Generations Act, 2019, Bill 124 limited wage increases for workers in the Broader Public Sector to 1.00% for a 3-year period. As a part of the Broader Public Sector to which the bill applies, the Hospital's employees were subject to the 1.00% cap on annual wage increases imposed by the legislation. The Hospital's collective agreements contain clauses that allow for the agreements to be reopened for negotiation on matters related to compensation should Bill 124 be appealed, amended, or declared unconstitutional by a court of competent jurisdiction. Currently, the Hospital is in negotiations with its employee groups to determine settlements relating to collective agreement periods covered by Bill 124.

Based on recent settlements for similar matters, the Hospital has accrued for expected liabilities relating to its obligations for the renegotiation of collective agreements impacted by Bill 124. These amounts are included in the Statement of Operations.