

Financial Statements of

BROCKVILLE GENERAL HOSPITAL

Year ended March 31, 2022

Independent Auditors' 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 AUDITORS' 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, 2022
- 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, 2022, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.



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- 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 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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 23, 2022

BROCKVILLE GENERAL HOSPITAL

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 14,702,500	\$ –
Receivable from Ministry of Health/Ontario Health	8,360,515	31,021,997
Accounts receivable	3,074,701	2,628,916
Inventory of supplies	1,110,702	1,197,160
Prepaid expenses	1,124,386	1,149,863
	<u>28,372,804</u>	<u>35,997,936</u>
Restricted cash (note 2)	422,025	421,300
Capital assets (note 3)	230,803,916	228,822,673
	<u>\$ 259,598,745</u>	<u>\$ 265,241,909</u>
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Bank indebtedness (note 9)	\$ –	\$ 6,197,833
Accounts payable and accrued liabilities	35,133,224	22,815,074
Bank loans payable (note 4)	–	11,991,030
	<u>35,133,224</u>	<u>41,003,937</u>
Accrued employee future benefits liability (note 5)	3,238,100	3,166,600
Deferred contributions (note 6):		
Expenses of future periods	616,444	557,724
Capital assets	204,929,736	207,628,401
	<u>205,546,180</u>	<u>208,186,125</u>
Net assets (deficiency):		
Invested in capital assets (note 7(a))	25,874,180	11,725,465
Other internally restricted (note 8(a))	48,275	47,550
Endowments (note 8(b))	19,397	19,397
Unrestricted (deficiency)	(10,260,611)	1,092,835
	<u>15,681,241</u>	<u>12,885,247</u>
Contingencies (note 10)		
Commitments (note 11)		
	<u>\$ 259,598,745.</u>	<u>\$ 265,241,909</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

BROCKVILLE GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Ministry of Health/Ontario Health (note 17)	\$ 89,433,594	\$ 86,257,144
Provincial insurance plan	7,951,785	6,877,672
Patient revenue from other payers	845,466	668,670
Co-payments	182,294	217,401
Preferred accommodation	159,024	254,533
Funding for other programs	1,932,721	1,936,902
Amortization of deferred contributions for equipment capital assets	1,443,444	1,166,255
Recoveries and other revenue	5,875,528	4,776,251
Investment income (note 12)	21,866	9,811
	<u>107,845,722</u>	<u>102,164,639</u>
Expenses:		
Medical staff remuneration	11,825,456	10,084,445
Employee salary and benefits	67,074,786	63,886,890
Drugs	1,537,259	1,584,583
Medical and surgical supplies	4,437,852	4,354,462
Supplies and other expenses	16,740,246	15,153,126
Interest	251,622	539,093
Amortization of equipment	2,600,006	2,208,490
	<u>104,467,227</u>	<u>97,811,089</u>
Excess of revenue over expenses from Hospital operations	3,378,495	4,353,550
Amortization of deferred contributions related to capital assets - building	6,116,720	4,662,234
Amortization of capital assets - building	(6,699,221)	(4,889,224)
Excess of revenue over expenses before the undernoted	2,795,994	4,126,560
Ministry of Health/Ontario Health working capital funding (note 18)	–	25,584,400
Excess of revenue over expenses	<u>\$ 2,795,994</u>	<u>\$ 29,710,960</u>

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2022, with comparative information for 2021

	Invested in capital assets (note 7(a))	Other internally restricted (note 8(a))	Endowments (note 8(b))	Unrestricted	2022 Total	2021 Total
Balance (deficiency), beginning of year	\$ 11,725,465	\$ 47,550	\$ 19,397	\$ 1,092,835	\$ 12,885,247	\$ (16,825,713)
Excess (deficiency) of revenue over expenses	(1,739,062)	–	–	4,535,056	2,795,994	29,710,960
Investment in capital assets	15,887,777	–	–	(15,887,777)	–	–
Internally imposed restrictions	–	725	–	(725)	–	–
Balance (deficiency), end of year	\$ 25,874,180	\$ 48,275	\$ 19,397	\$ (10,260,611)	\$ 15,681,241	\$ 12,885,247

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,795,994	\$ 29,710,960
Items not involving cash:		
Amortization of deferred contributions for capital assets	(7,560,164)	(5,828,488)
Amortization of capital assets	9,299,227	7,097,714
Change in accrued employee future benefits liability	71,500	(154,600)
Cash provided by (used in) the following operational balances:		
Receivable from Ministry of Health/Ontario Health	22,661,482	(25,684,238)
Accounts receivable	(445,785)	1,240,537
Inventory of supplies	86,458	(240,401)
Prepaid expenses	25,477	(295,890)
Accounts payable and accrued liabilities	12,318,149	7,311,144
Deferred contributions received for future expenses	58,720	(39,466)
	<u>39,311,058</u>	<u>13,117,272</u>
Capital activities:		
Purchase of capital assets	(11,280,469)	(151,516,708)
Deferred contributions received for capital assets	4,861,499	144,155,577
	<u>(6,418,970)</u>	<u>(7,361,131)</u>
Financing activities:		
Principal payments on debt	(11,991,030)	(994,148)
Decrease in bank indebtedness	20,901,058	4,761,993
Bank indebtedness, beginning of year	(5,776,533)	(10,538,526)
Cash (bank indebtedness), end of year	<u>\$ 15,124,525</u>	<u>\$ (5,776,533)</u>
Cash (bank indebtedness) is comprised of the following:		
Cash (bank indebtedness)	\$ 14,702,500	\$ (6,197,833)
Restricted cash	422,025	421,300
	<u>\$ 15,124,525</u>	<u>\$ (5,776,533)</u>

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

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, 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.

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, 2022

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 (2021 - 13 years).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

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, 2021 disclosed actuarial assets of \$114.4 million (2020 - \$103.9 million) with accrued pension liabilities of \$85.9 million (2020 - \$79.8 million), resulting in a surplus of \$28.5 million (2020 - \$24.1 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2021 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, 2022.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. 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.

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 3,357,835	\$ —	\$ 3,357,835	\$ 3,357,835
Land improvements	7,787,718	783,709	7,004,009	7,176,384
Buildings and building service equipment	249,075,029	44,721,848	204,353,181	203,162,760
Equipment, furnishings and software	51,603,675	39,038,132	12,565,543	12,012,177
Information system software and equipment	12,044,392	10,632,936	1,411,456	1,931,135
Construction and planning in progress	2,111,892	—	2,111,892	1,182,382
	<u>\$ 325,980,541</u>	<u>\$ 95,176,625</u>	<u>\$ 230,803,916</u>	<u>\$ 228,822,673</u>

Cost and accumulated amortization of capital assets at March 31, 2021 amounted to \$314,700,071 and \$85,877,398, 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, 2022

4. Bank loans payable:

	2022	2021
Demand loan bearing interest at prime less 0.75% per annum, due June 30, 2023, payable in monthly principal payments of \$16,667 plus interest	\$ —	\$ 449,969
Demand loan bearing interest at prime less 0.75% per annum, due June 2023, payable in monthly principal payments of \$16,311 plus interest	—	429,012
Demand loan bearing interest at 2.65%, due September 2030, payable in blended monthly payments of \$8,715	—	870,543
Demand loan bearing interest at prime less 0.75% per annum, due August 2030, payable in blended monthly payments of \$3,965	—	374,839
Demand loan, up to \$16,000,000 available credit, bearing interest at prime, due July 2021 at which time it will be transferred into a loan payable in equal monthly installments plus interest over 2 years	—	9,500,000
Demand loan bearing interest at prime, payable in monthly principal payments of \$33,333 plus interest	—	366,667
	\$ —	\$ 11,991,030

All loans were repaid during the 2022 fiscal year.

Interest on bank loans payable amounted to \$225,483 as at March 31, 2022 (2021 - \$483,553).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

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:

	2022	2021
Accrued benefits obligation, beginning of year	\$ 2,657,300	\$ 2,583,700
Adjustment	1,078,100	—
Current service cost	281,400	125,300
Interest on accrued benefits	113,100	81,000
Actuarial experience	(265,600)	58,700
Benefits payments	(235,000)	(191,400)
Accrued benefits obligation, end of year	3,629,300	2,657,300
Unamortized actuarial experience gain (loss)	(391,200)	509,300
Accrued employee future benefits liability, end of year	\$ 3,238,100	\$ 3,166,600

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	2.9% per annum (2021 - 3.1%)
Dental cost escalation	3.0% per annum (2021 - 3.0%)
Health care cost escalation	5.57% per annum (2021 - 5.25%)

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

	2022	2021
Current service cost	\$ 281,400	\$ 125,300
Interest on accrued benefits	113,100	81,000
Amortization of actuarial gain	(88,000)	(169,500)
	\$ 306,500	\$ 36,800

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

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.

	2022	2021
Balance, beginning of year	\$ 557,724	\$ 597,190
Additional contributions	108,468	41,358
Less amount recognized as revenue in the year	(49,748)	(80,824)
Balance, end of year	\$ 616,444	\$ 557,724

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

	2022	2021
J.E. Johnson Bequest	\$ 373,750	\$ 373,750
Other	242,694	183,974
	\$ 616,444	\$ 557,724

(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.

	2022	2021
Balance, beginning of year	\$ 207,628,401	\$ 69,301,312
Additional contributions	4,861,499	144,155,577
Less amount amortized to revenue	(7,560,164)	(5,828,488)
Balance, end of year	\$ 204,929,736	\$ 207,628,401

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

	2022	2021
Unamortized capital contributions used to purchase assets	\$ 204,929,736	\$ 207,628,401
Unspent contributions	—	—
	\$ 204,929,736	\$ 207,628,401

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Net assets invested in capital assets:

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

	2022	2021
Capital assets	\$ 230,803,916	\$ 228,822,673
Amount financed by bank loans	–	(9,468,807)
Amounts financed by deferred contributions	(204,929,736)	(207,628,401)
	<u>\$ 25,874,180</u>	<u>\$ 11,725,465</u>

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

	2022	2021
Excess of expenses over revenue:		
Amortization of deferred contributions for capital assets	\$ 7,560,164	\$ 5,828,488
Amortization of:		
Buildings	(6,699,221)	(4,889,224)
Equipment	(2,600,005)	(2,208,490)
	<u>(1,739,062)</u>	<u>(1,269,226)</u>
Net change in investment in capital assets:		
Purchase of capital assets	11,280,469	151,516,708
Amount financed by deferred contributions	(4,861,499)	(144,155,577)
Repayment of bank loan	9,468,807	994,148
	<u>15,887,777</u>	<u>8,355,279</u>
	<u>\$ 14,148,715</u>	<u>\$ 7,086,053</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

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:

	2022	2021
Beginning balance	\$ 47,550	\$ 43,673
Net income on fund	2,007	3,877
Draw from fund for expenditures	(1,282)	-
	<u>\$ 48,275</u>	<u>\$ 47,550</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 \$8,000,000 (2021 - \$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, 2022, \$Nil (2021 - \$6,201,028) was drawn.

Interest paid on this facility during 2022 amounted to \$26,139 (2021 - \$55,540).

10. 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, 2022, 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.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Contingencies (continued):

- (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, 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 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, 2022.

11. 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 has entered into a contract with Compass Group Canada Ltd. for food and environmental services, on a recovery basis, effective May 1, 2018 for a 10-year period.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Commitments (continued):

- (d) 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 \$890,000 (2021 - \$245,000) are included in capital assets on the Statement of Financial Position relating to this project and have been financed using internal resources.

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.

12. Investment income:

Investment income earned is reported as follows:

	2022	2021
Income earned on unrestricted resources	\$ 19,859	\$ 5,934
Income earned on externally restricted resources: JEJ Bequest Fund	2,007	3,877
	<u>\$ 21,866</u>	<u>\$ 9,811</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. 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 \$4,028,300 (2021 - \$3,859,559) 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 2021 Annual Report indicates the plan is fully funded at 120%.

14. 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 \$1,943,956 (2021 - \$21,042,497) 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.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Other information (continued):

- (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, 2022, 3SO had drawn \$Nil (2021 - \$Nil) on the line of credit, of which the Hospital guarantees \$Nil (2021 - \$Nil).

- (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.

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, 2022 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, 2022 is \$145,089 (2021 - \$124,423).

There have been no significant changes to the credit risk exposure from 2021.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

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

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. As at March 31, 2022, the Hospital's current liabilities exceed its current assets by \$6,760,420 (2021 - \$5,006,001). The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt are disclosed in note 4.

There have been no significant changes to the liquidity risk exposure from 2021.

(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 2021.

(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. The Hospital is exposed to this risk through its interest-bearing bank indebtedness and bank loans payable.

There have been no significant changes to the interest rate risk exposure from 2021, with the exception of the repayment of bank loans and bank indebtedness as disclosed in notes 4 and 9, respectively.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 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:

	2022	2021
Funding for incremental COVID-19 operating expenses	\$ 4,108,232	\$ 4,370,426
Funding for COVID-19 assessment centre	1,424,895	970,406
Funding for pandemic pay	–	1,288,104
Funding for temporary wage enhancement	118,088	39,839
Funding for temporary physician funding	1,424,975	867,834
Funding for revenue losses resulting from COVID-19	–	908,983
Broad-based funding reconciliation for other eligible costs and revenue losses	–	286,051
	<u>\$ 7,076,190</u>	<u>\$ 8,731,643</u>

In addition to the above, the Hospital has also recognized \$200,922 (2021 - \$1,104,300) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

18. Ministry of Health/Ontario Health working capital funds initiative:

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

19. COVID-19 impacts:

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

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations on the basis of continued government support to address the financial challenges related to the pandemic. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.