

Financial Statements of

**ALMONTE GENERAL
HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Almonte General Hospital

Opinion

We have audited the financial statements of Almonte 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 for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses 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 changes in net assets, its cash flows and its 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 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.



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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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 long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 17, 2022

ALMONTE GENERAL HOSPITAL

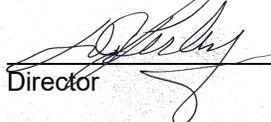
Statement of Financial Position

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

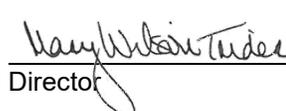
	2022	2021
Assets		
Current assets:		
Cash	\$ 3,047	\$ 1,200
Accounts receivable	2,280	4,860
Inventory of supplies	301	320
Prepaid expenses	409	460
	<u>6,037</u>	<u>6,840</u>
Capital assets (note 3)	26,924	27,881
	<u>\$ 32,961</u>	<u>\$ 34,721</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,147	\$ 6,456
Current portion of long-term debt (note 4)	1,177	901
	<u>8,324</u>	<u>7,357</u>
Long-term liabilities:		
Long-term debt (note 4)	7,703	8,899
Deferred capital contributions (note 5)	14,075	14,455
Employee future benefits (note 6)	1,308	1,301
Interest rate swap contracts (note 7)	298	777
	<u>23,384</u>	<u>25,432</u>
Net assets (deficiency):		
Invested in capital assets (note 8(a))	3,969	3,626
Unrestricted deficiency	(2,418)	(917)
	<u>1,551</u>	<u>2,709</u>
Accumulated remeasurement losses	(298)	(777)
	<u>1,253</u>	<u>1,932</u>
COVID-19 impacts (note 14)		
	<u>\$ 32,961</u>	<u>\$ 34,721</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ALMONTE GENERAL HOSPITAL

Statement of Operations

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

	2022	2021
Revenue:		
Ministry of Health	\$ 16,382	\$ 17,018
Ministry of Long-Term Care	7,561	7,509
Paramedic contract revenue (note 2)	10,115	10,316
Preferred accommodation differential	2,701	2,729
Other	2,392	1,848
Amortization of deferred capital contributions related to equipment	629	654
Patient	672	594
Co-payment	190	418
Investment income	26	17
	<u>40,668</u>	<u>41,103</u>
Expenses:		
Salaries and wages	18,297	17,995
Paramedic contract expenses (note 2)	10,115	10,316
General supplies and expenses	6,352	6,000
Employee benefits (note 6)	3,734	3,719
Medical staff remuneration	881	840
Amortization of equipment	650	676
Medical and surgical supplies	830	713
Drugs and medical gases	429	332
	<u>41,288</u>	<u>40,591</u>
Operating income	(620)	512
Other income (expense):		
Amortization of deferred capital contributions related to buildings	629	528
Change in employee future benefits liability	(7)	(42)
Interest expense	(376)	(413)
Amortization of buildings and land improvements	(1,209)	(1,136)
Gain of disposal of assets	-	300
Operating pressures funding - Ministry of Health (note 13)	425	2,129
	<u>(538)</u>	<u>1,366</u>
Excess (deficiency) of revenue over expenses	<u>\$(1,158)</u>	<u>\$ 1,878</u>

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets	2022 Total	2021 Total
Balance, beginning of year	\$ (917)	\$ 3,626	\$ 2,709	\$ 831
Excess (deficiency) of revenue over expenses	(1,158)	–	(1,158)	1,878
Net change in invested in capital assets (note 8(b))	(343)	343	–	–
Balance, end of year	\$ (2,418)	\$ 3,969	\$ 1,551	\$ 2,709

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (1,158)	\$ 1,878
Items not involving cash:		
Amortization of deferred capital contributions	(1,258)	(1,182)
Amortization of capital assets	1,859	1,812
Accrued employee future benefits	7	42
Net gain on disposal of capital asset	–	(300)
Net change in non-cash working capital items (note 9)	3,341	(1,617)
	2,791	633
Capital activities:		
Acquisition of capital assets	(902)	(1,125)
Increase in deferred capital contributions	878	1,191
	(24)	66
Investing activities:		
Net proceeds from sale of capital assets	–	387
Financing activities:		
Repayment of long-term debt	(920)	(729)
Net increase in cash	1,847	357
Cash, beginning of year	1,200	843
Cash, end of year	\$ 3,047	\$ 1,200
Cash consists of:		
Cash in bank	\$ 4,173	\$ 2,039
Less: outstanding items	(1,126)	(839)
Cash	\$ 3,047	\$ 1,200

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Remeasurement Gains and Losses

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

	2022	2021
Accumulated remeasurement losses, beginning of year	\$ (777)	\$ (1,151)
Unrealized gains attributable to:		
Interest rate swap contracts	479	374
Accumulated remeasurement losses, end of year	\$ (298)	\$ (777)

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

The Almonte General Hospital (the "Hospital") is incorporated without share capital under the Corporations Act of Ontario. The organization operates as a general hospital, as a long-term care facility and provides Paramedic service. The Hospital is a registered charity and is exempt from income tax under paragraph 149(1) of the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

The Hospital follows the deferral method of accounting for contributions for government not-for-profit organizations.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition.

Derivative instruments and equity instruments that are quoted in an active market are subsequently reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value.

Unrealized changes in fair value are recognized in deferred contributions until they are realized, when they are transferred to the statement of operations.

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

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 and any unrealized gain is adjusted through deferred contributions.

When the asset is sold, the unrealized gains and losses previously recognized in deferred contributions are reversed and recognized in the statement of operations.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

The Hospital uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see note 7 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

The Hospital uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(c) Inventory of supplies:

Inventory is stated at the lower of cost (which is determined using the average cost basis) and replacement value.

(d) Revenue recognition:

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 Ministry of Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Capital grants for the acquisition 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.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

1. Significant accounting policies (continued):

(e) Capital assets:

The Hospital capitalizes the cost of all additions to buildings, major renovations and major equipment that have an expected useful life of five years or longer. When capital assets are disposed of, the cost of the asset and the related accumulated amortization are removed from the books and the resulting gain or loss on disposal, if significant, is included in net assets on the statement of financial position. Costs of construction in progress are capitalized. Amortization is not recognized until construction is complete and the assets are ready for productive use.

The capital assets are amortized on a straight-line basis over their expected useful life as follows:

Asset	Years
Land improvements	20
Building - Hospital	40
Building - District Health Unit	20
Building - Service equipment	20 to 40
Major equipment	5 to 20

(f) Deferred capital contributions:

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

(g) Contributed services:

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

(h) Employee future benefits:

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

The Hospital provides future benefits for substantially all retirees and employees. These future benefits include extended health care, dental care, and life insurance benefits. These benefit plans are un-funded.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

1. Significant accounting policies (continued):

(h) Employee future benefits (continued):

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2020, and the next required valuation will be as of March 31, 2023.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the plan is 12 years (2021 - 12 years).

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The costs of multi-employer defined contribution pension plan benefits, such as the Healthcare of Ontario Pension Plan (HOOPP), are the employer's contributions due to the plan in the period.

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, the assumptions underlying the employee future benefit calculations contain significant estimates. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

1. Significant accounting policies (continued):

(j) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is a non-monetary exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Lanark County Paramedic Service:

Effective September 1, 2000, the Hospital became the sponsoring agent for the Lanark County Paramedic Service in return for an administration fee. The funding for the Paramedic Service is provided by Lanark County, to whom the Hospital provides regular financial reporting.

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 118	\$ –	\$ 118	\$ 118
Land improvements	192	160	32	36
Buildings and service equipment	40,010	16,824	23,186	24,256
Major equipment	15,354	11,766	3,588	3,471
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 55,674	\$ 28,750	\$ 26,924	\$ 27,881

Cost and accumulated amortization as at March 31, 2021 amounted to \$55,000 and \$27,119, respectively. In the year, the Hospital disposed of capital assets with a cost and accumulated amortization of \$228.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

4. Long-term debt:

	2022	2021
The long-term debt related to the construction of the New Fairview Manor is due to the Bank of Montreal, repayable at approximately \$33 per month including interest at prime less one-half percent, with an effective fixed rate of 4.84% achieved through the interest rate swap contract, due September 2027.	\$ 3,761	\$ 4,340
The long-term debt related to the construction of the Almonte Ambulance Bay is due to Bank of Montreal, repayable at approximately \$5 per month including interest at 3.51%, due November 2019. Principal payments are postponed for 24 months, blended principal payments and interest payments to be reinstated on January 1, 2022 with amortization date extended to November 30, 2029. Interest only payments were made until December 31, 2021.	456	474
The long-term debt related to the renovation of 95 Spring Street is due to the Royal Bank, repayable at approximately \$23 per month including interest at 4.33%, due January 2032.	2,253	2,432
The long-term debt related to the financing of furniture and equipment for 95 Spring Street is due to the Royal Bank, repayable at approximately \$4 per month including interest at 3.49%, and paid in full January 2022.	–	48
The long-term debt related to the financing of software and equipment is due to the Bank of Montreal, repayable at approximately \$33 per month including interest at 2.37%, due January 2026. Principal payments are postponed for 24 months, blended principal payments and interest payments to be reinstated on January 1, 2022 with amortization date extended to November 30, 2029. Interest only payment were made until December 31, 2021.	2,410	2,506
	8,880	9,800
Less: current portion	1,177	901
	\$ 7,703	\$ 8,899

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

4. Long-term debt (continued):

The Hospital is committed to annual principal and interest payments over the next five fiscal years and thereafter approximately as follows:

2023	\$	1,177
2024		1,226
2025		1,277
2026		1,329
2027		1,379
Thereafter		2,492
		<u>8,880</u>

5. Deferred capital contributions:

	2022	2021
Balance, beginning of year	\$ 14,455	\$ 14,446
Add: contributions received during the year	878	1,191
Less: amounts amortized to revenue	(1,258)	(1,182)
Balance, end of year	<u>\$ 14,075</u>	<u>\$ 14,455</u>

6. Employee future benefits:

(a) Health, dental and life insurance plans:

The Hospital provides extended health care, dental care and life insurance benefits for certain of its retired employees. These defined benefit plans are not funded. The Hospital made total cash payments to the beneficiaries of its unfunded employee benefit plan of \$80 in 2022 (2021 - \$88).

The Hospital measures its accrued employee future benefit liability as at March 31 of each year. The most recent actuarial valuation of the plan was as of March 31, 2020 and the next required valuation will be as of March 31, 2023.

	2022	2021
Accrued benefit liability, beginning of year	\$ 1,301	\$ 1,259
Current service cost	65	73
Interest cost	36	45
Amortization of actuarial gain/(loss)	(14)	12
Benefits paid	(80)	(88)
Accrued benefit liability, end of year	<u>\$ 1,308</u>	<u>\$ 1,301</u>

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

6. Employee future benefits (continued):

(a) Health, dental and life insurance plans (continued):

	2022	2021
Accrued benefit obligations	\$ 1,047	\$ 1,124
Unamortized actuarial gain	261	177
Accrued benefit liability	\$ 1,308	\$ 1,301

The significant actuarial assumptions and economic factors adopted in measuring the Hospital's accrued benefit obligation are as follows. All rates and percentages are annualized.

	2022	2021
Discount rate	3.89%	3.29%
Initial health care cost trend rate	5.65%	5.46%
Health care cost trend declines to	4.00%	4.00%
Year that the rate reaches the rate it is assumed to remain at	2040	2040
Dental cost increase	4.00%	4.00%
Expenses - Life	10.00%	10.00%

(b) Healthcare of Ontario Pension Plan:

Substantially all full-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$1,899 (2021 - \$2,275). These amounts are included in employee benefits expense 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 most recent triennial actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is fully funded.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

7. Interest rate swap contracts:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

The Hospital has entered into interest rate swap agreements to manage the volatility of interest rates. The Hospital has converted a net notional \$13 million of floating rate long-term debt related to construction projects (note 4). The fixed rates received under the interest rate swaps range from 3.00% to 4.59%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt ranging from 2022 to 2032.

The interest rate swaps have unrealized accumulated losses of \$298 (2021 - \$777) which are recorded on the statement of financial position as at March 31, 2022. The current year impact of the change in fair value of the interest rate swap is a decrease of accumulated remeasurement gain of \$479 (2021 - \$374).

The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 26,924	\$ 27,881
Less amounts financed by:		
Deferred capital contributions	(14,075)	(14,455)
Long-term debt	(8,880)	(9,800)
	<u>\$ 3,969</u>	<u>\$ 3,626</u>

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

8. Investment in capital assets (continued):

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

	2022	2021
Acquisition of capital assets	\$ 902	\$ 1,125
Disposal of capital assets	–	(87)
Amounts funded by deferred capital contributions	(878)	(1,191)
Repayment of long-term debt	920	729
Amortization of capital assets	(1,859)	(1,812)
Amortization of deferred capital contributions	1,258	1,182
	\$ 343	\$ (54)

9. Net change in non-cash working capital items:

	2022	2021
Accounts receivable	\$ 2,580	\$ (3,645)
Inventory of supplies	19	(120)
Prepaid expenses	51	(16)
Accounts payable and accrued liabilities	691	2,164
	\$ 3,341	\$ (1,617)

10. Related party transactions:

The Hospital is related to the Almonte General Hospital Foundation, the Volunteer Services Committee and the Fairview Manor Auxiliary by virtue of their economic interest with these entities.

(a) The Almonte General Hospital Foundation raises funds to support the Hospital. The Foundation is a separate entity and reports to its own board. Included in accounts receivable is an amount of \$110 (2021 - \$169) due from the Foundation. This represents the net of salaries, employee benefits and supplies paid by the Hospital on behalf of the Foundation during the fiscal year less cash transfers, employee contributions and capital grants provided by the Foundation.

During the year, the Foundation contributed \$252 (2021 - \$319) towards Almonte General Hospital purchases of capital assets.

(b) The Almonte General Hospital Volunteer Services Committee and the Fairview Manor Auxiliary raise funds through various activities, such as the gift shop, bake sales and raffles. Funds are used to support Hospital and Fairview Manor programs and to purchase equipment for the Hospital and the Fairview Manor.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

11. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to this risk relating to its cash, investments and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

The Hospital's receivables are with governments, government funding agencies, patients and residents and corporate entities. The Hospital believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

The Hospital monitors market risk by adhering to a Board-approved investment policy.

(i) Currency risk:

The Hospital believes it is not subject to significant foreign currency risk arising from its financial instruments.

(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 bank loans and term debt.

The Hospital mitigates interest rate risk on certain of its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 7). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

11. Financial risks and concentration of credit risk (continued):

(c) Market risk (continued):

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Hospital is exposed to this risk through its equity holdings within its investment portfolio.

12. Ministry of Health and Ministry of Long-Term Care pandemic funding:

In connection with the ongoing coronavirus pandemic (COVID-19), MOH and MLTC have announced a number of funding programs intended to assist hospitals and long-term care homes 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 programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH and MLTC have 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 and MLTC have 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 and MLTC revenue for COVID-19 is based on the most recent guidance provided by MOH and MLTC, and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Any adjustments to Management's estimate of MOH and MLTC revenues will be reflected in the Hospital's financial statements in the year of settlement.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

12. Ministry of Health and Ministry of Long-Term Care pandemic funding (continued):

Details of the MOH and MLTC funding for COVID-19 recognized as revenue in the current year are summarized below:

Ministry of Health:

Funding for incremental COVID-19 operating expenses	\$	1,165
Funding for COVID Assessment Centre Ontario Health		1,034
Funding for Nurses Retention Incentive		208
Funding for Temporary Wage Enhancement		42
		<hr/>
	\$	2,449

Ministry of Long-Term Care:

Funding for incremental COVID-19 operating expenses	\$	631
Funding for Temporary Wage Enhancement		279
Funding for revenue losses resulting from COVID-19		137
Funding for Infection Prevention and Control		98
Funding for Nurses Retention Incentive		73
		<hr/>
	\$	1,218

There is \$27 of carry-over unspent funds for the Infection Prevention and Control minor equipment from the Ministry of Long-Term Care.

13. Ministry of Health financial and operating pressures funding:

In April 2022, the Hospital was advised that it was eligible for one-time funding to support hospitals with urgent in-year financial and operating pressures for 2021-22. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to address urgent in-year financial and operating pressures affecting existing programs and services and will not to be used for new programs or expansions to existing programs.

As at the date of approval of these financial statements, the MOH has provided its preliminary estimate of financial and operating pressures funding of \$425 which has been recognized as other revenue. The MOH has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to this financial and operating pressures funding will be reflected in the Hospital's financial statements in the year of settlement.

ALMONTE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

(In thousands of dollars unless otherwise noted)

14. COVID-19 impacts:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market, health and societal 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.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

15. Comparative information:

Certain 2021 comparative information has been reclassified to conform with the financial statement presentation adopted for 2022.