

Financial Statements of

**GROVES MEMORIAL
COMMUNITY HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Groves Memorial Community Hospital

Opinion

We have audited the financial statements of Groves Memorial Community Hospital (the Hospital), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2022, and its results of operations, its remeasurement gains and losses, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Hospital's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada



Groves Memorial Community Hospital
Statement of Financial Position
 As at March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 2,972,650	\$ 10,614,051
Investments (Note 3)	1,381,000	-
Accounts receivable, net	782,342	1,217,305
Due from Ministry of Health and other funding agencies	11,493,842	9,659,230
Due from Foundation (Note 9)	48,593	53,522
Inventory	441,323	163,614
Prepaid Expenses	726,075	920,376
Total Current Assets	17,845,825	22,628,098
Capital assets (Note 4)	158,157,284	161,829,243
Capital redevelopment (Note 4)	201,208	952,855
Total Long-Term Assets	158,358,492	162,782,098
Total Assets	\$176,204,317	\$185,410,196
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 9,082,002	\$ 11,834,472
Due to Ministry of Health and other funding agencies	1,084,999	569,057
Deferred revenue	156,504	3,387,985
Total Current Liabilities	10,323,505	15,791,514
Deferred capital contributions (Note 5)	160,506,603	164,968,711
Post-employment benefits (Note 6)	1,228,793	1,159,738
Total Liabilities	172,058,901	181,919,963
Net Assets		
Investment in capital assets (Note 8)	4,729,858	1,562,291
Internally restricted for capital asset replacement (Note 7)	450,981	450,981
Unrestricted (deficit)	(916,423)	1,476,961
Accumulated remeasurement losses	(119,000)	-
Total Net Assets	4,145,416	3,490,233
Contingent liabilities (Note 11)		
Commitments (Note 12)		
Total Liabilities and Net Assets	\$176,204,317	\$185,410,196

On behalf of the Board:

Gilles Madore
 Gilles Madore (Jun 15, 2022 13:25 EDT)

Director

Richard Wright
 Richard Wright (Jun 16, 2022 08:50 EDT)

Director

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



Groves Memorial Community Hospital Statement of Remeasurement Gains and Losses

As at March 31, 2022, with comparative information for 2021

	2022	2021
Accumulated remeasurement losses, beginning of the year	\$ -	\$ -
Unrealized losses on investments	(119,000)	-
Accumulated remeasurement losses, end of year	\$ (119,000)	\$ -



Groves Memorial Community Hospital
Statement of Changes in Net Assets
 Year ended March 31, 2022, with comparative information for 2021

	Internally Restricted for Capital Assets Replacement	Invested in Capital Assets	Unrestricted	2022 Total	2021 Total
Balance, Beginning of Year	\$ 450,981	\$ 1,562,291	\$ 1,476,961	\$ 3,490,233	\$ 4,163,924
Excess (deficiency) of revenue over expenses	-	(3,501)	777,684	774,183	(673,691)
Investment in capital assets (Note 8)	-	3,171,068	(3,171,068)	-	-
Balance, End of Year	\$ 450,981	\$ 4,729,858	\$ (916,423)	\$ 4,264,416	\$ 3,490,233

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



Groves Memorial Community Hospital Statement of Operations

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

	2022	2021
Revenue		
Ministry of Health (Note 14):		
Global funding	\$23,534,795	\$ 26,284,511
One-time and program funding	11,179,342	6,626,310
Physician emergency & on-call	2,659,453	2,825,133
Ontario Health Insurance Plan fees	2,363,626	1,989,452
Municipal tax funding	6,000	6,000
Ministry of Children, Community and Social Services funding	161,527	132,736
Patient revenue from other sources	571,912	585,256
Other sundry recoveries	1,443,603	3,091,662
Amortization of deferred capital contributions – equipment	1,720,078	1,192,260
	43,640,336	42,733,320
Expenses		
Salaries & benefits	25,062,209	26,151,620
Physician emergency & on-call	2,659,453	2,825,133
Medical staff fees & remuneration	1,528,005	1,483,887
Medical & surgical supplies	1,192,109	996,579
Drug & medical gases	1,319,475	548,198
Operating supplies & expenses	9,219,796	9,142,787
Ministry of Children, Community and Social Services expense	161,527	132,736
Amortization – equipment	1,726,499	1,415,927
	42,869,073	42,696,867
Excess of Revenue over Expenses Before Building Amortization	771,263	36,453
Building Amortization		
Amortization of deferred capital contributions – building	3,848,613	2,569,699
Amortization of building	(3,845,693)	(2,701,492)
Net write-down of land improvements, building and equipment (Note 4 and 5)	-	(578,351)
	2,920	(710,144)
Excess (Deficiency) of Revenue over Expenses	\$ 774,183	\$ (673,691)



Groves Memorial Community 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 (deficiency) of revenue over expenses	\$ 774,183	\$ (673,691)
Items not involving cash:		
Amortization of capital assets	5,572,192	4,117,419
Net write-down of land improvements, building and equipment (Note 4 and 5)	-	578,351
Amortization of deferred capital contributions	(5,568,691)	(3,761,959)
Post-employment benefits	69,055	(16,028)
	846,739	244,092
Changes in non-cash working capital balances:		
Accounts receivable – operating	(1,395,836)	589,127
Inventory	(277,709)	(10,526)
Prepaid expenses	194,301	(384,677)
Accounts payable and accrued liabilities – operating	893,653	2,822,120
Deferred revenue	(3,231,481)	3,327,708
	(2,970,333)	6,587,844
Investing Activities		
Purchase of investments	(1,500,000)	-
Financing Activities		
Repayment of demand loan	-	(6,500,000)
Capital Activities		
Additions to capital assets	(1,148,586)	(10,188,006)
Additions to deferred donations and grants	1,106,582	9,824,623
Change in accounts receivable – capital	1,116	6,623,556
Change in accounts payable and accrued liabilities – capital	(3,130,181)	3,094,104
	(3,171,068)	9,354,277
Increase (decrease) in cash	(7,641,401)	9,442,121
Cash, beginning of year	10,614,051	1,171,930
Cash, end of year	\$ 2,972,650	\$ 10,614,051

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



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

The Groves Memorial Community Hospital (the "Hospital") was incorporated on June 27, 2002 as a corporation without share capital under the *Groves Memorial Community Hospital Act*, 2002. The Hospital is principally involved in providing health services to Centre Wellington and surrounding area. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

a) Basis of presentation:

These financial statements do not include the activities of the following non-controlled affiliated entities:

(i) Groves Memorial Community Hospital Foundation (Foundation):

The Foundation raises funds to support capital projects and equipment needs of the Hospital.

(ii) Groves Memorial Community Hospital Volunteer Association (Association):

The Association supports the volunteer programs directed by the Association of the Hospital and raises funds for the support of the Hospital.

The financial information of these entities is reported separately from the Hospital.

b) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH" or the "Ministry") and Ontario Health West ("OHW"). The Hospital has entered into a Hospital Service Accountability Agreement ("H-SAA").



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

1. Significant accounting policies (continued):

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the “H-SAA”) for fiscal 2022 with the Ministry and OHW that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/OHW. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, it is required to follow a remediation process negotiated with the MOH/OHW. Should the Hospital fail to honour the terms of the remediation process the MOH/OHW has the right to adjust funding received by the Hospital.

The MOH/OHW is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH/OHW funding received by the Hospital during the year may be increased or decreased subsequent to year-end.

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.

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.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Revenue from patient services is recognized when the service is provided.

Ancillary revenue is recognized when the goods are sold and services provided.

c) Inventories:

Inventories are valued at the lower of average cost and replacement value. Provisions are made for any obsolete or unusable inventory on hand.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

1. Significant accounting policies (continued):

d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. Capital assets are capitalized on acquisition and amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	5 to 25 years
Buildings which includes service equipment	10 to 40 years
Equipment	3 to 15 years
Software	3 to 10 years

e) Employee future benefits:

The Hospital provides defined post-employment health, dental and life insurance benefits to certain employee groups. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

(i) Defined benefit plan:

The costs of post-employment benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. The average remaining service period of the active employees covered by the plan is 14 years (2021 - 14 years). Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

1. Significant accounting policies (continued):

e) Employee future benefits (continued):

(ii) Multi-employer plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan (“HOOPP”) for which the Hospital does not have the necessary information to apply defined benefit plan accounting. The costs of the multi-employer defined contribution pension plan benefits are the employer’s contributions due to the plan in the period.

f) 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 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.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses 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 straight-line 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 the statement of remeasurement gains and losses.

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

Long-term payables are recorded at cost.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

1. Significant accounting policies (continued):

f) Financial instruments (continued):

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
- 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.

As at March 31, 2022, all financial assets of the Hospital are held as cash and investments are categorized as level 1.

g) Measurement uncertainty:

The preparation of 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. The infectious coronavirus ("COVID-19") pandemic has added to the Hospital's measurement uncertainty primarily due to a reduction in available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2022. Significant items subject to such estimates and assumptions include the carrying amount of accrued benefit liability, capital assets and accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.



Groves Memorial Community Hospital
Notes to Financial Statements
 For the year ended March 31, 2022

1. Significant accounting policies (continued):

g) Measurement uncertainty (continued):

The amount of revenue recognized from the MOH and the OHW requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by the OHW for the year ended March 31, 2022. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the MOH and the OHW have the right to adjust funding received. Neither the Ministry nor the OHW are required to communicate certain funding adjustments until after submission of year end data.

Since this data is not submitted until after the completion of the financial statements, the amount of the MOH/OHW funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

2. Cash and Operating Line of Credit:

The Hospital has access to an unsecured operating line of \$3,000,000, with interest at prime minus 0.50% per annum. At March 31, 2022, \$3,000,000 is available under this facility.

3. Investments:

	2022	2021
Principal Protected Growth Note	\$ 500,000	\$ -
Matures February 9, 2027		
Principal Protected Growth Note – Annual Coupon	\$ 1,000,000	\$ -
Payment <i>(Based on performance, range is 0.5%-6.5%)</i>		
Matures February 9, 2028		
	\$ 1,500,000	\$ -



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2022

4. Capital assets:

	2022		2021	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Lands	\$ 1,867,556	\$ -	\$ 1,867,556	\$ -
Land	199,574	199,574	199,574	199,574
Improvements				
Building – 235 Union Street East	7,427,425	7,433,296	7,427,425	7,427,425
Building – Hospital	153,248,024	6,069,643	152,024,976	2,226,437
Building – Ancillary	67,564	67,564	67,564	67,564
Equipment	22,111,471	13,762,713	23,631,686	14,600,967
	184,921,614	27,532,790	185,218,781	24,521,967
Construction in progress	969,668	-	2,085,284	-
	\$ 185,891,282	\$ 27,532,790	\$ 187,304,065	\$ 24,521,967
Net Book Value		<u>\$ 158,358,492</u>		<u>\$ 162,782,098</u>

Included in the construction in progress is \$201,208 (2021 - \$952,855) for capital redevelopment costs (equipment and ancillary costs) related to the Hospital.

In prior year, the Hospital has made an adjustment for impairment of the building, equipment, and land improvements in the amount of \$4,288,571, net deferred capital contributions of \$3,710,220 for a net write-down of \$578,351, as it no longer provides economic benefit to the Hospital.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

5. Deferred capital contributions:

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

	<u>2022</u>		<u>2021</u>
Balance, beginning of year	\$ 164,968,711	\$	162,616,267
Capital contributions for the year	1,106,583		9,824,623
Write-down (Note 4)	-		(3,710,220)
Amortization	(5,568,691)		(3,761,959)
Balance, end of year	<u>\$ 160,506,603</u>	\$	<u>164,968,711</u>

As at March 31, 2022, there was \$720,449 (2021 - \$570,449) of deferred capital contributions received which was not spent.

6. Post-employment benefits:

i) Pension plan:

Substantially, all of the full-time employees and a portion of the part-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Contributions to the plan by the Hospital during the year amounted to \$1,530,292 (2021 - \$1,408,794) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2021, the pension plan reported a surplus of \$28.5 billion (2020 - \$24.1 billion).

ii) Retirement benefits:

The Hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefits liability was determined by an actuarial valuation study. An actuarial valuation of these benefits is completed on a triennial basis. The latest actuarial valuation was completed for March 31, 2021 and extrapolated to March 31, 2022.



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2022

6. Post-employment benefits (continued):

iii) Retirement benefits (continued):

The Hospital's liability at March 31st for this plan is as follows:

	2022	2021
Accrued benefit obligation	\$ 1,530,800	\$ 1,583,800
Unamortized net actuarial losses	(302,007)	(424,062)
Post-employment benefits liability	\$ 1,228,793	\$ 1,159,738

The significant actuarial assumptions adopted in the measuring of the Hospital's accrued benefit obligations are as follows:

	2022	2021
Accrued benefit obligation (at end of year):		
Discount rate	3.60%	2.90%
Dental cost increases	3.00%	2.75%
Medical cost increases, and decrease proportionately thereafter to an ultimate rate of 4.50%	5.75%	5.75%
Benefit costs (for fiscal year):		
Discount rate	2.90%	3.10%

Other information about the Hospital's plan is as follows:

	2022	2021
Current year benefit cost	\$ 135,700	\$ 56,900
Interest on accrued benefit obligation	48,000	32,600
Amortized actuarial (gains) losses	13,700	(22,300)
Expense for the year	\$ 197,400	\$ 67,200
Benefits paid during the year	\$ 69,300	\$ 51,172



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

7. Internally restricted net assets:

Internally restricted net assets represent amounts set aside for future capital and other special projects.

As of March 31, 2022, the Hospital's Board of Directors (Board) has internally restricted \$450,981 (2021 - \$450,981) of unrestricted net assets to be used for future capital and other special projects. The Board has also internally restricted net assets invested in capital assets of \$4,729,858 (2021 - \$1,562,291). These internally restricted amounts are not available for other purposes without approval of the Board.

8. Investments in capital assets:

Investment in capital assets is calculated as follows:

	<u>2022</u>	<u>2021</u>
Capital assets (Note 4)	\$ 158,358,492	\$ 162,782,098
Deferred capital contributions (Note 5)	(160,506,603)	(164,968,711)
Accounts receivable – capital	7,319,328	7,320,444
Accounts payable and accrued liabilities - capital	(441,359)	(3,571,540)
	<u>\$ 4,729,858</u>	<u>\$ 1,562,291</u>



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2022

8. Investments in capital assets (continued):

Changes in net assets invested in capital assets is calculated as follows:

	2022	2021
Deficiency of revenue or expenses:		
Amortization of deferred capital contributions	\$ 5,568,691	\$ 3,761,959
Net write-down of land improvements, building and equipment	-	(578,351)
Amortization of capital assets	(5,572,192)	(4,117,419)
	\$ (3,501)	\$ (933,811)
Net Change in investment in capital assets:		
Purchases of capital assets	1,148,586	10,188,006
Amounts funded by deferred capital contributions	(1,106,583)	(9,824,623)
Change in accounts payable and accrued liabilities - capital	3,130,181	(3,094,104)
Change in accounts receivable - capital	(1,116)	(6,623,556)
Advance of demand loan	-	6,500,000
	\$ 3,171,068	\$ (2,854,277)

9. Related party transactions and economic interest:

The Hospital receives support from the Foundation and the Association operating within the communities serviced by the Hospital. These Organizations operate independently of the Hospital, as such the relationship is not considered as a related party.

a) Groves Memorial Community Hospital Foundation (“Foundation”):

The Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, and equipment purchases of the Hospital. During the year, the Hospital received funds totaling \$737,579 (2021 - \$3,198,670) from the Foundation. At March 31, 2022, the Hospital has a receivable from the Foundation of \$48,593 (2021 - \$53,522) for capital and minor equipment purchases.

The accounts of the Foundation are not included in these financial statements.

b) Groves Memorial Community Hospital Volunteer Association (“Association”):

The Association is a volunteer organization affiliated with Groves Memorial Community Hospital and is engaged in a wide range of services for the betterment of the Hospital. The Association periodically transfers funds to the Foundation.

The accounts of the Association are not included in these financial statements.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

9. Related party transactions and economic interest (continued):

c) Wellington Health Care Alliance:

Groves Memorial Community Hospital and North Wellington Health Care Corporation have entered into an alliance agreement (Wellington Health Care Alliance) to enable the parties to provide mutual support and cooperation in the delivery of Hospital services to the patients in their respective catchment areas. The agreement has resulted in a shared senior management team and other resources. The Hospital's share of alliance revenues, expenses, assets and liabilities have been recorded in the accounts of the Hospital. Included in accounts receivable is \$382,992 (2021 - \$650,231) due from North Wellington Health Care Corporation, and included in accounts payable is \$577,477 (2021 - \$310,283) owing to North Wellington Health Care Corporation.

10. Contract with Ministry of Children, Community and Social Services:

During the year, the Hospital received \$161,527 (2021 - \$132,736) from the Ministry of Children, Community and Social Services for a Speech and Language Program. The surplus (deficit) for this program at March 31, 2022 is \$nil (2021 - \$nil).

11. Contingent liabilities:

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2022, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital has entered into an agreement with Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario). HIROC provides insurance coverage on a pooling basis to its subscribers. The Hospital is liable for its proportionate share of any assessment for losses experienced by the pool during each policy year that it is a subscriber. No assessments have been made up to March 31, 2022.

The term of this agreement requires two years notice before withdrawing from the agreement.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

12. Commitments:

a) Service agreements:

During the year, the Hospital has committed to capital purchases, service and rental agreements. Contractual agreements are signed commitments, and are based on the understanding the agreements will continue into the new Hospital.

The payments that are required under the terms of these agreements as follows:

2023	\$	2,369,185
2024		475,352
2025		326,769
2026		222,704
2027		145,731
<hr/>		
Total	\$	3,539,741

The Hospital signed an agreement with Mohawk Shared Services Inc. for procurement and logistics services relating to the purchase and delivery of medical and other supplies on April 1, 2015. The term of the agreement is three years renewing automatically every three years unless two years prior notice is given not to renew at the end of the current term.

b) Decommissioning:

The Hospital has submitted a proposal to repurpose the building located at 235 Union Street East. As of yet, the Hospital has not received MOH direction. Additional costs will be incurred in the future as a result of decommissioning the building at 235 Union Street East.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

13. Financial risks:

a) Market risk:

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

b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of 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 to its interest-bearing operating line.

The Hospital has financing available in the form of an operating line which is drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.50% and is payable monthly.

c) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Hospital is exposed to credit risk with respect to its accounts receivable and cash.

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 the allowance for doubtful accounts at March 31, 2022 is \$201,617 (2021 - \$69,329).

As at March 31, 2022, \$216,339 (2021 - \$91,874) of third-party accounts receivable were past due, but not impaired.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

13. Financial risks (continued):

d) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

e) 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. 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.

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

14. Ministry of Health pandemic funding:

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



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2022

14. Ministry of Health pandemic funding (continued):

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has recognized amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. Given the potential for future changes to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 using a conservative approach and has recorded a provision for future funding changes. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

In the current year, the Hospital has recognized funding of \$3,747,505 (2021 - \$3,311,707) for incremental COVID-19 operating expenses, non-ministry revenue losses \$ nil (2021 - \$378,900) and Broad-based funding reconciliation for other eligible costs and revenue losses \$nil (2021 - \$345,766).

In addition to the above, the Hospital has also recognized \$nil (2021 - \$819,678) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an additional to deferred capital contributions during the year.