

Financial Statements of

**GROVES MEMORIAL
COMMUNITY HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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
- 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, 2021, and its results of operations, 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.



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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 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.

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

Waterloo, Canada

June 17, 2021



Groves Memorial Community Hospital
Statement of Financial Position
 As at March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 10,614,051	\$ 1,171,930
Accounts receivable, net	1,217,305	15,646,096
Due from Ministry of Health and other funding agencies	9,659,230	2,207,734
Due from Foundation (Note 8)	53,522	288,910
Inventory	163,614	153,088
Prepaid Expenses	920,376	535,699
Total Current Assets	22,628,098	20,003,457
Capital assets (Note 3)	161,829,243	9,713,783
Capital redevelopment (Note 3)	952,855	151,286,299
Total Long-Term Assets	162,782,098	161,000,082
Total Assets	\$185,410,196	\$181,003,539
Liabilities		
Current		
Demand loan (Note 2)	\$ -	\$ 6,500,000
Accounts payable and accrued liabilities	11,834,472	6,288,680
Due to Ministry of Health and other funding agencies	569,057	198,625
Deferred revenue	3,387,985	60,277
Total Current Liabilities	15,791,514	13,047,582
Deferred capital contributions (Note 4)	164,968,711	162,616,267
Post-employment benefits (Note 5)	1,159,738	1,175,766
Total Liabilities	181,919,963	176,839,615
Net Assets		
Investment in capital assets (Note 7)	1,562,291	5,350,379
Internally restricted for capital asset replacement (Note 6)	450,981	450,981
Unrestricted (deficit)	1,476,961	(1,637,436)
Total Net Assets	3,490,233	4,163,924
Contingent liabilities (Note 10)		
Commitments (Note 11)		
COVID-19 impacts (Note 13)		
Total Liabilities and Net Assets	\$185,410,196	\$181,003,539

On behalf of the Board:

—  — Director

 Director

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



Groves Memorial Community Hospital
Statement of Changes in Net Assets
 Year ended March 31, 2021, with comparative information for 2020

	Internally Restricted for Capital Assets Replacement	Invested in Capital Assets	Unrestricted	2021 Total	2020 Total
Balance, Beginning of Year	\$ 450,981	\$ 5,350,379	\$ (1,637,436)	\$ 4,163,924	\$ 4,275,695
Excess (deficiency) of revenue over expenses	-	(933,811)	260,120	(673,691)	(111,771)
Investment in capital assets (Note 7)	-	(2,854,277)	2,854,277	-	-
Balance, End of Year	\$ 450,981	\$ 1,562,291	\$ 1,476,961	\$ 3,490,233	\$ 4,163,924

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



Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue		
Ministry of Health (Note 13):		
Global funding	\$26,284,511	\$18,100,800
One-time and program funding	6,626,310	3,306,148
Physician emergency & on-call	2,825,133	2,449,433
Ontario Health Insurance Plan fees	1,989,452	2,150,293
Municipal tax funding	6,000	6,000
Ministry of Children, Community and Social Services funding	132,736	213,170
Patient revenue from other sources	585,256	608,566
Other sundry recoveries	3,091,662	2,294,519
Amortization of deferred capital contributions – equipment	1,192,260	720,693
	42,733,320	29,849,622
Expenses		
Salaries & benefits	26,151,620	18,301,289
Physician emergency & on-call	2,825,133	2,521,582
Medical staff fees & remuneration	1,483,887	1,284,505
Medical & surgical supplies	996,579	794,645
Drug & medical gases	548,198	643,630
Operating supplies & expenses	9,142,787	5,171,281
Ministry of Children, Community and Social Services expense	132,736	213,170
Amortization – equipment	1,415,927	884,715
	42,696,867	29,814,817
Excess of Revenue over Expenses Before Building Amortization	36,453	34,805
Building Amortization		
Amortization of deferred capital contributions – building	2,569,699	349,133
Amortization of building	(2,701,492)	(495,709)
Net write-down of land improvements, building and equipment (Note 3 and 4)	(578,351)	-
	(710,144)	(146,576)
Deficiency of Revenue over Expenses	\$ (673,691)	\$ (111,771)

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



Groves Memorial Community Hospital Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash Provided by (used in)		
Operating Activities		
Deficiency of revenue over expenses	\$ (673,691)	\$ (111,771)
Items not involving cash:		
Amortization of capital assets	4,117,419	1,380,424
Net write-down of land improvements, building and equipment (Note 3 and 4)	578,351	-
Amortization of deferred capital contributions	(3,761,959)	(1,069,826)
Post-employment benefits	(16,028)	(6,434)
	244,092	192,393
Changes in non-cash working capital balances:		
Accounts receivable – operating	589,127	(2,488,238)
Inventory	(10,526)	8,004
Prepaid expenses	(384,677)	(120,749)
Accounts payable and accrued liabilities – operating	2,822,120	2,265,999
Deferred revenue	3,327,708	(311,657)
	6,587,844	(454,248)
Financing Activities		
Advance of demand loan	(6,500,000)	6,500,000
Capital Activities		
Additions to capital assets	(10,188,006)	(38,656,234)
Additions to deferred donations and grants	9,824,623	42,062,790
Change in accounts receivable – capital	6,623,556	84,640,487
Change in accounts payable and accrued liabilities – capital	3,094,104	(98,656,456)
	9,354,277	(10,609,413)
Increase (decrease) in cash	9,442,121	(4,563,661)
Cash, beginning of year	1,171,930	5,735,591
Cash, end of year	\$ 10,614,051	\$ 1,171,930

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, 2021

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.

There are no remeasurement gains or losses for the years ended March 31, 2021 and 2020. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

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 the Waterloo-Wellington Local Health Integration Network ("LHIN"). 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, 2021

1. Significant accounting policies (continued):

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the “H-SAA”) for fiscal 2021 with the Ministry and the LHIN 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/LHIN. 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/LHIN. Should the Hospital fail to honour the terms of the remediation process the MOH/LIN has the right to adjust funding received by the Hospital.

The MOH/LHIN 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/LHIN 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, 2021

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 (2020 - 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, 2021

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, 2021

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, 2021, all financial assets of the Hospital are held as cash and, as a result, 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, 2021. 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, 2021

1. Significant accounting policies (continued):

g) Measurement uncertainty (continued):

The amount of revenue recognized from the MOH and the LHIN 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 Waterloo Wellington LHIN for the year ended March 31, 2021. 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 LHIN have the right to adjust funding received. Neither the Ministry nor the LHIN 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/LHIN 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 demand loan:

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, 2021, \$3,000,000 is available under this facility. In 2020, \$6,500,000 was drawn on the secured temporary demand loan to finance construction loan for the new Hospital. The demand loan has interest payments at prime minus 0.75% per annum. The demand loan was repaid on April 16, 2020.



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2021

3. Capital assets:

	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Lands	\$ 1,867,556	\$ -	\$ 1,867,556	\$ -
Land Improvements	199,574	199,574	317,956	175,029
Building – 235 Union Street East	7,427,425	7,427,425	9,652,031	7,134,554
Building – Hospital	152,024,976	2,226,437	-	-
Building – Ancillary	67,564	67,564	67,564	67,564
Equipment	23,631,686	14,600,967	17,637,264	13,027,401
	185,218,781	24,521,967	29,542,371	20,424,548
Construction in progress	2,085,284	-	151,862,259	-
	\$ 187,304,065	\$ 24,521,967	\$ 181,404,630	\$ 20,404,548
Net Book Value	<u>\$ 162,782,098</u>		<u>\$ 161,000,082</u>	

Included in the Construction in Progress is \$952,855 (2020 - \$151,286,299) for capital redevelopment costs (equipment and ancillary costs) related to the Hospital. As of February 28, 2021, Ellis Don has applied for final completion, with minor deficiencies and disputes still outstanding, the Hospital has commenced amortizing the new building in August 2020.

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, 2021

4. 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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 162,616,267	\$ 121,623,303
Capital contributions for the year	9,824,623	42,062,790
Write-down (Note 3)	(3,710,220)	-
Amortization	(3,761,959)	(1,069,826)
Balance, end of year	<u>\$ 164,968,711</u>	<u>\$ 162,616,267</u>

As at March 31, 2021, there was \$570,449 (2020 - \$1,616,185) of deferred capital contributions received which was not spent.

5. 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 \$1,408,794 (2020 - \$1,152,437) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2020, the pension plan reported a surplus of \$24.1 billion (2019 - \$20.6 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.



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2021

5. Post-employment benefits (continued):

iii) Retirement benefits (continued):

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

	2021	2020
Accrued benefit obligation	\$ 1,583,800	\$ 1,036,200
Unamortized net actuarial gains (losses)	(424,062)	139,566
Post-employment benefits liability	\$ 1,159,738	\$ 1,175,766

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

	2021	2020
Accrued benefit obligation (at end of year):		
Discount rate	2.90%	3.10%
Dental cost increases	2.75%	2.75%
Medical cost increases, and decrease proportionately thereafter to an ultimate rate of 4.50%	5.75%	6.00%
Benefit costs (for fiscal year):		
Discount rate	3.10%	2.90%

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

	2021	2020
Current year benefit cost	\$ 56,900	\$ 56,700
Interest on accrued benefit obligation	32,600	30,900
Amortized actuarial gains	(22,300)	(20,700)
Expense for the year	\$ 67,200	\$ 66,900
Benefits paid during the year	\$ 51,172	\$ 47,300



Groves Memorial Community Hospital
Notes to Financial Statements
 For the year ended March 31, 2021

6. Internally restricted net assets:

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

As of March 31, 2021, the Hospital's Board of Directors (Board) has internally restricted \$450,981 (2020 - \$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 \$1,562,291 (2020 - \$5,350,379). These internally restricted amounts are not available for other purposes without approval of the Board.

7. Investments in capital assets:

Investment in capital assets is calculated as follows:

	2021	2020
Capital assets (Note 3)	\$ 162,782,098	\$ 161,000,082
Deferred capital contributions (Note 4)	(164,968,711)	(162,616,267)
Accounts receivable – capital	7,320,444	13,944,000
Demand loan	-	(6,500,000)
Accounts payable and accrued liabilities - capital	(3,571,540)	(477,436)
	\$ 1,562,291	\$ 5,350,379



Groves Memorial Community Hospital
Notes to Financial Statements
For the year ended March 31, 2021

7. Investments in capital assets (continued):

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

	2021	2020
Deficiency of revenue or expenses:		
Amortization of deferred capital contributions	\$ 3,761,959	\$ 1,069,826
Net write-down of land improvements, building and equipment	(578,351)	-
Amortization of capital assets	(4,117,419)	(1,380,424)
	\$ (933,811)	\$ (310,598)
Net Change in investment in capital assets:		
Purchases of capital assets	10,188,006	38,656,233
Amounts funded by deferred capital contributions	(9,824,623)	(42,062,790)
Change in accounts payable and accrued liabilities - capital	(3,094,104)	98,656,456
Change in accounts receivable - capital	(6,623,556)	(84,640,484)
Advance of demand loan	6,500,000	(6,500,000)
	(2,854,277)	4,109,415
	\$ (3,788,088)	\$ 3,798,817

8. 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 \$3,198,670 (2020 - \$17,972,841) from the Foundation. At March 31, 2021, the Hospital has a receivable from the Foundation of \$53,522 (2020 - \$288,910) 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, 2021

8. 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 \$650,231 due from North Wellington Health Care Corporation, and included in accounts payable is \$310,283 owing to North Wellington Health Care Corporation.

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

During the year, the Hospital received \$132,736 (2020 - \$213,170) from the Ministry of Children, Community and Social Services for a Speech and Language Program. The surplus (deficit) for this program at March 31, 2021 is \$nil (2020 - \$nil).

10. 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, 2021, 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, 2021.

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, 2021

11. 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:

2022	\$	2,844,555
2023		212,895
2024		78,080
2025		49,131
2026		49,131
Total		\$ 3,233,792

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. 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) Capital redevelopment:

As of February 28, 2021, Ellis Don has applied for final completion, with minor deficiencies and disputes still outstanding, the resolution of the disputes are still unknown.

c) 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, 2021

12. 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, 2021 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, 2021 is \$69,329 (2020 - \$26,580).

As at March 31, 2021, \$91,874 (2020 - \$53,248) 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, 2021

12. 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.

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.

13. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the 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 programs towards COVID-19 costs, revenue losses and other budgetary 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. 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.



Groves Memorial Community Hospital Notes to Financial Statements For the year ended March 31, 2021

13. Ministry of Health pandemic funding (continued):

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

Funding for incremental COVID-19 operating expenses	\$ 3,311,707
Funding for non-ministry revenue losses resulting from COVID-19	378,900
Broad-based funding reconciliation for other eligible costs and revenue losses	<u>345,766</u>
Total revenue recognized	<u>\$ 4,016,373</u>

In addition to the above, the Hospital has also recognized \$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.

14. 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 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.