

Financial Statements of

**ARNPRIOR REGIONAL
HEALTH**

Year ended March 31, 2020

ARNPRIOR REGIONAL HEALTH

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Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of Arnprior Regional Health

Opinion

We have audited the financial statements of Arnprior Regional Health (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- 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, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit corporations.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for not-for-profit corporations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 18, 2020

ARNPRIOR REGIONAL HEALTH

Statement of Financial Position

March 31, 2020, with comparative information for 2019
(In thousands of dollars)

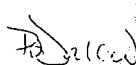
	2020	2019
Assets		
Current assets:		
Cash (note 2)	\$ 1,570	\$ 1,222
Accounts receivable:		
Ontario Ministry of Health	31	2
Patient services	227	281
Other	555	507
Inventories	222	210
Prepaid expenses	256	186
	<u>2,861</u>	<u>2,408</u>
Investments (note 3)	5,198	5,346
Tangible capital assets (note 4)	28,684	26,022
	<u>\$ 36,743</u>	<u>\$ 33,776</u>

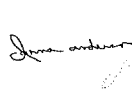
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,705	\$ 4,361
Endowment payable (note 2)	21	21
Current portion of loan payable (note 2)	25	53
Deferred contributions (note 5)	676	646
	<u>5,427</u>	<u>5,081</u>
Long-term loan payable (note 2)	3,441	664
Deferred capital contributions (note 6)	21,320	21,076
Post-employment benefits (note 7(a))	1,423	1,401
	<u>31,611</u>	<u>28,222</u>
Net assets (note 8):		
Unrestricted	1,005	953
Invested in tangible capital assets (note 9)	3,898	4,229
	<u>4,903</u>	<u>5,182</u>
Accumulated remeasurement gains	229	372
	<u>5,132</u>	<u>5,554</u>
Contingent liabilities (note 11)		
Impact of Coronavirus COVID-19 pandemic (note 13)		
	<u>\$ 36,743</u>	<u>\$ 33,776</u>

See accompanying notes to financial statements.

On behalf of the Board:


Digitally signed by Barbara Darlow
DN: cn=Barbara Darlow, o=Arnprior
Regional Health, ou=
email=bdarlow@arnpriorhealth.ca,
c=CA
Date: 2020.06.24 15:56:46 -0400
 Director
 Barb Darlow, Chair


Digitally signed by Donna Anderson
DN: cn=Donna Anderson, o=Arnprior
Regional Health, ou=
email=sdanna@arnpriorhealth.ca, c=CA
Date: 2020.06.24 15:51:33 -0400
 Director
 Donna Anderson, Vice Chair

ARNPRIOR REGIONAL HEALTH

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Revenue:		
Ontario Ministry of Health and Ontario Ministry of Long-Term Care (note 12)	\$ 21,587	\$ 21,616
Sources other than the Ontario Ministry of Health and Ontario Ministry of Long-Term Care:		
Inpatient and co-payment	1,661	1,901
Outpatient	1,507	1,436
Other income	1,414	1,599
Rental income	366	351
Investment income	214	219
Amortization of deferred contributions for equipment	714	621
	<u>27,463</u>	<u>27,743</u>
Expenses:		
Salaries and wages	13,708	13,547
Other supplies and expenses	5,584	5,926
Employee benefits (note 7)	3,673	3,866
Medical staff remuneration (note 12)	2,528	2,542
Amortization of equipment	1,105	1,020
Medical and surgical supplies	468	469
Drugs	312	276
	<u>27,378</u>	<u>27,646</u>
Excess of revenue over expenses before undernoted items	85	97
Amortization of deferred contributions for buildings	945	698
Amortization of buildings and land improvements	(1,309)	(1,142)
	<u>(364)</u>	<u>(444)</u>
Deficiency of revenue over expenses	\$ (279)	\$ (347)

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	Unrestricted	Invested in tangible capital assets	2020 Total	2019 Total
Balance, beginning of year	\$ 953	\$ 4,229	\$ 5,182	\$ 5,529
Excess (deficiency) of revenue over expenses	476	(755)	(279)	(347)
Net change in investment in tangible capital assets	(424)	424	—	—
Balance, end of year	\$ 1,005	\$ 3,898	\$ 4,903	\$ 5,182

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenses	\$ (279)	\$ (347)
Items not involving cash:		
Amortization of tangible capital assets	2,414	2,162
Amortization of deferred contributions	(1,659)	(1,319)
Net change in post-employment benefits liability	22	104
Net change in non-cash working capital:		
Accounts receivable:		
Ontario Ministry of Health	(29)	4
Patient services	54	(53)
Other	(48)	191
Inventory	(12)	(8)
Prepaid expenses	(70)	23
Accounts payable and accrued liabilities	344	(2,114)
Deferred contributions	30	45
	767	(1,312)
Capital activities:		
Acquisition of tangible capital assets	(5,076)	(3,855)
Additions to deferred capital contributions	1,903	3,149
	(3,173)	(706)
Investing activities:		
Net proceeds from disposal of investments	5	804
Financing activities:		
Net proceeds from loan payable	2,749	2
Net increase (decrease) in cash	348	(1,212)
Cash, beginning of year	1,222	2,434
Cash, end of year	\$ 1,570	\$ 1,222

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 372	\$ 263
Unrealized gains on investments	81	322
Amounts reclassified to the statement of operations:		
Disposition of investments	(224)	(213)
Net remeasurement gains (losses) for the year	(143)	109
Accumulated remeasurement gains, end of year	\$ 229	\$ 372

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements

Year ended March 31, 2020
(In thousands of dollars)

Arnprior Regional Health ("ARH") is incorporated without share capital under the laws of the Province of Ontario. ARH's purpose is to provide health care services to the residents of Arnprior and the surrounding area. ARH is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and may issue tax receipts to donors.

1. Significant accounting policies:

The financial statements of ARH are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

(a) Basis of presentation:

These financial statements present the financial position and the results of operations of the Hospital Revenue Fund, the Primary Health Care Centre Revenue Fund, the Community Programs Revenue Fund, Nursing Home Revenue Fund and the Capital Fund of ARH.

The Hospital Revenue Fund includes the assets, liabilities and results of operations of the Hospital, other than capital.

The Primary Health Care Centre Revenue Fund includes the assets, liabilities and results of operations of the Centre.

The Community Programs Revenue Fund includes the assets, liabilities and results of operations of these Programs.

The Nursing Home Revenue Fund includes the assets, liabilities and results of operations of The Grove, Arnprior and District Nursing Home.

All other assets, liabilities, income including all donations and bequests and expenses are recorded in the Capital Fund.

(b) Revenue recognition:

ARH follows the deferral method of accounting for contributions which includes donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purpose of tangible capital assets are deferred and amortized to revenues at rates corresponding to those of the related tangible capital assets.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Under the Health Insurance Act and Regulations thereto, ARH is funded primarily by the Local Health Integration Networks ("LHIN") in accordance with budget arrangements established by the Ontario Ministry of Health and the Ontario Ministry of Long-Term Care (the "Ministries").

If ARH does not meet its performance standards or obligations, the Ministries/LHIN have the right to adjust funding received by ARH. The Ministries/LHIN are 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 Ministries/LHIN funding received by ARH during the year may be increased or decreased subsequent to year end.

Fees for medical services are recognized as revenue of ARH Revenue Fund when the services are performed.

Investment income earned on restricted funds is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Unrestricted revenues are recorded as revenues when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Rental income is recognized in the Primary Health Care Revenue Fund and is recognized as earned.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

(c) Inventory:

Inventory for medical and surgical, pandemic and other supplies are valued at the lower of cost and replacement cost on a first in first out basis. Inventory is used in ARH's operations is not for resale purposes.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(d) Financial instruments:

ARH classifies its financial instruments as either fair value or amortized cost. ARH's accounting policy for each category is as follows:

(i) Fair value:

This category includes cash, restricted cash and investments. They are initially recorded at cost and subsequently carried at fair value. 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 related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with the instrument is removed from the net assets and recognized in the statement of operations.

(ii) Amortized cost:

This category includes accounts receivable, accounts payable and accrued liabilities and endowment payable. They are initially recorded at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

(e) Tangible capital assets:

Tangible capital assets are accounted for at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution.

When a tangible capital asset no longer contributes to ARH's ability to provide services or the value of future economic benefits associated with the tangible asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

Amortization of tangible capital assets is calculated on a straight line basis, over the estimated useful lives, using the following rates:

Asset	Years
Land improvements	5 to 20
Buildings and equipment	10 to 50
Major equipment	3 to 20
Software	3 to 20
Assets under development	Amortization to commence once asset is ready to use

(f) Employee benefit plans:

ARH provides defined retirement and post-employment benefits to certain employee groups. These benefits include pension and health and dental plans. ARH has adopted the following policies with respect to accounting for these employee benefits:

- ARH is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. ARH has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.
- The cost of post-employment future benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustments 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. Plan amendments, including past service costs, are recognized as an expense in the period of the plan amendment.
- The discount rate used in the determination of the above-mentioned liabilities is equal to ARH's internal rate of borrowing.

(g) Contributed services:

Volunteers contribute many hours per year to assist ARH in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(h) 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. Significant items subject to such estimates and assumptions include obligations related to post-employment benefits liability. 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.

2. Restricted cash and credit facility:

Cash includes restricted funds of \$21 (2019 - \$21) relating to the Williamson Bennett Endowment Fund. Income earned on the fund is not restricted.

ARH has an available line of credit which is due on demand and bears interest at the bank's prime rate less 0.5%. At March 31, 2020, ARH has \$Nil (2019 - \$Nil) drawn under this facility and an undrawn credit capacity of \$500.

ARH has an additional line of credit available which is due on demand and bears interest at the bank's prime rate less 0.5%. At March 31, 2020, ARH has an undrawn credit capacity of \$285.

In 2018, ARH converted the additional line of credit into a bank loan for \$725. The loan bears interest at 4.05% and is payable in blended (principal and interest) monthly instalments of \$4. The loan is amortized over a 5-year period and is due September 2023.

In 2020, ARH was issued a non-revolving construction period loan with a maximum credit capacity of \$25,750. The loan bears interest at the ninety day Ontario Treasury Bill Rate plus 2.5 basis points and is due to be converted into a 25-year loan upon the earlier of substantial completion date of the construction project or October 3, 2021. As at March 31, 2020, ARH has \$2,773 drawn under this facility.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

3. Investments:

	2020		2019	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 639	\$ 639	\$ 209	\$ 209
Bonds	2,333	2,297	2,684	2,684
Equities	2,226	1,332	2,453	1,379
	\$ 5,198	\$ 4,268	\$ 5,346	\$ 4,272

Investments include bonds bearing interest at rates ranging from 2.12% to 4.85% (2019 - 1.74% to 4.85%), maturing between June 2020 and June 2027 (2019 - May 2019 and June 2027).

4. Tangible capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 220	\$ -	\$ 220	\$ 220
Land improvements	659	657	2	3
Buildings and equipment	36,126	18,452	17,674	16,639
Major equipment	17,357	13,788	3,569	3,204
Software	4,307	2,456	1,851	1,355
Assets under development	5,368	-	5,368	4,601
	\$ 64,037	\$ 35,353	\$ 28,684	\$ 26,022

Cost and accumulated amortization of tangible capital assets are presented net of disposals of \$104 (2019 - \$18). As at March 31, 2019, cost and accumulated amortization amounted to \$59,065 and \$33,043, respectively.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

5. Deferred contributions:

Deferred contributions represent funds received during the current year to cover operating expenses in the subsequent year. The variations in the balance of deferred contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 646	\$ 601
Less: amounts recognized as revenue and amounts transferred to deferred capital contributions during the year	(1,656)	(2,117)
Plus: amounts received for the subsequent year	1,686	2,162
Balance, end of year	\$ 676	\$ 646

Deferred contributions is comprised of:

	2020	2019
AROW Health Links	\$ 26	\$ 26
Assisted Living Services	31	31
Small Hospital Transformation Funding Integration	—	83
Other	619	506
Balance, end of year	\$ 676	\$ 646

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of restricted grants, donations and contributions with which ARH's buildings and equipment were purchased. The variations in the balance of deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 21,076	\$ 19,246
Plus: contributions received and contributions transferred from deferred contributions during the year	1,903	3,149
Less: amount amortized to revenue during the year	(1,659)	(1,319)
Balance, end of year	\$ 21,320	\$ 21,076

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

7. Retirement and post-employment benefits:

(a) Post-employment benefits:

ARH provides extended health care and dental insurance benefits to certain employee groups and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2020. The most recent actuarial valuation of post-employment benefits was completed as at March 31, 2018.

The following table outlines the components of ARH's post-employment benefits and the related expenses.

Post-employment benefits liability:

	2020	2019
Accrued employee future benefits obligations	\$ 1,407	\$ 1,401
Unamortized actuarial gains	16	-
Total liability	\$ 1,423	\$ 1,401

Post-employment benefits expense:

	2020	2019
Current year benefit cost	\$ 85	\$ 70
Amortization of actuarial gains	(2)	(5)
Interest on accrued benefit obligation	45	42
Total expense	\$ 128	\$ 107

The major actuarial assumptions employed for the valuations are as follows:

(i) Discount rate:

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 3.18% (2019 - 3.18%).

(ii) Extended health care trend rates:

Extended health care trend rates were assumed to increase at a 6.0% per annum (2019 - 6.0%) in the first year following; and decrease by 0.25% per annum to an ultimate rate of 4.5% (2019 - to an ultimate rate of 4.5%) per annum.

(iii) Dental costs:

Dental costs were assumed to increase by 2.75% per annum (2019 - 2.75%).

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

8. Net assets:

The changes in net assets balances during the year are as follows:

	Opening balance	Excess (deficiency) for the year	Transfers between funds	2020	2019
Hospital Revenue Fund before amortization	\$ 5,607	\$ 687	\$ (424)	\$ 5,870	\$ 5,607
Primary Health Care Centre Revenue Fund	(1,960)	(72)	—	(2,032)	(1,960)
Community Programs Revenue Fund	7	(1)	—	6	7
Nursing Home Revenue Fund	(2,701)	(138)	—	(2,839)	(2,701)
	953	476	(424)	1,005	953
Capital Fund	4,229	(755)	424	3,898	4,229
	\$ 5,182	\$ (279)	\$ —	\$ 4,903	\$ 5,182

9. Net assets invested in tangible capital assets:

	2020	2019
Tangible capital assets	\$ 28,684	\$ 26,022
Less: deferred capital contributions	(21,320)	(21,076)
Less: loan payable	(3,466)	(717)
Balance, end of year	\$ 3,898	\$ 4,229

The net change in the net assets invested in tangible capital assets is as follows:

Deficiency of revenue over expenses:

	2020	2019
Amortization of deferred capital contributions	\$ 1,659	\$ 1,319
Amortization of tangible capital assets	(2,414)	(2,162)
	\$ (755)	\$ (843)

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

9. Net assets invested in tangible capital assets (continued):

Deficiency of revenue over expenses (continued):

	2020	2019
Acquisition of tangible capital assets	\$ 5,076	\$ 3,855
Less: Amounts funded by deferred contributions	(1,903)	(3,149)
Less: Amounts funded by loan payable	(2,749)	(2)
	\$ 424	\$ 704

10. Related party transactions:

(a) Arnprior Regional Health Foundation:

Arnprior Regional Health Foundation (the "Foundation") is incorporated under the laws of Ontario for the purpose of raising funds for ARH. Contributions from the Foundation of \$285 (2019 - \$669) were received during the year and were recorded as deferred capital contributions and \$Nil (2019 - \$10) was received for the employees' bursaries. The Foundation is a separate entity whose financial information is reported separately from ARH.

(b) The Arnprior and District Memorial Hospital Auxiliary:

Contributions from the Auxiliary of \$130 (2019 - \$150) were received during the year and were recorded as deferred capital contributions. The Auxiliary is a separate entity whose information is reported separately from ARH.

11. Contingent liabilities:

In the normal course of business, ARH is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the years in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

12. Alternative funding arrangements:

ARH acts as a paymaster on behalf of the Ministries for the administration of the physicians participating in the hospital on-call program. ARH is also a party to an agreement with the Ministries for the emergency physicians group. Included in Ministries' revenues as well as medical staff remuneration expense is an amount of \$1,869 (2019 - \$1,810).

The Ministries' revenue is broken down as such:

	2020
Ontario Ministry of Health	\$ 18,379
Ontario Ministry of Long-Term Care	3,208
	<u>\$ 21,587</u>

13. Impact of Coronavirus COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with a virtual treatment and assessment centre opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital and Nursing Home, including the cancellation of elective surgeries, outpatient and diagnostic services and the acceptance of alternative level of care patients from other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and increases in operating costs.

(a) Current year transactions:

For the year ended March 31, 2020, the Ministries have allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenses of \$139,132 and has recognized \$66,655 of revenue from these programs. These amounts have been recorded in the Ministries' revenue and multiple expenses in the statement of operations.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Impact of Coronavirus COVID-19 pandemic (continued):

(b) Subsequent events related to COVID-19:

The Ministries have also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.

14. Financial Instruments:

(a) Credit risk:

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

ARH's receivables are with governments, government funding agencies, patients and residents and corporate entities. ARH 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 ARH will be unable to fulfill its obligations on a timely basis or at a reasonable cost. ARH manages its liquidity risk by monitoring its operating requirements. ARH 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.

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

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

14. Financial Instruments (continued):

(c) Market risk (continued):

(i) Currency risk:

ARH 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. ARH is exposed to this risk through its interest bearing investments and line of credit.

ARH mitigates interest rate risk on certain of its term debt through the variable rate inherent in the line of credit. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the line of credit.

(iii) Other price risk:

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

15. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the financial statement presentation adopted for 2020.