

Financial Statements of

**ARNPRIOR REGIONAL
HEALTH**

Year ended March 31, 2022

ARNPRIOR REGIONAL HEALTH

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

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, changes in net assets, remeasurement gains and losses 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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 28, 2022

ARNPRIOR REGIONAL HEALTH

Statement of Financial Position

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

	2022	2021
Assets		
Current assets:		
Cash (note 2)	\$ 7,724	\$ 3,202
Accounts receivable:		
Ontario Ministry of Health	484	3,230
Patient services	431	363
Other	3,200	560
Inventories	188	210
Prepaid expenses	418	250
	<u>12,445</u>	<u>7,815</u>
Investments (note 3)	6,046	5,827
Tangible capital assets (note 4)	49,570	41,659
	<u>\$ 68,061</u>	<u>\$ 55,301</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,418	\$ 6,719
Endowment payable (note 2)	21	21
Current portion of loan payable (note 2)	1,341	26
Deferred contributions (note 5)	1,827	949
	<u>9,607</u>	<u>7,715</u>
Long-term loan payable (note 2)	23,222	15,133
Deferred capital contributions (note 6)	25,809	22,952
Post-employment benefits (note 7(a))	1,536	1,448
	<u>60,174</u>	<u>47,248</u>
Net assets (note 8):		
Unrestricted	6,512	3,794
Invested in tangible capital assets (note 9)	1,341	3,548
	<u>7,853</u>	<u>7,342</u>
Accumulated remeasurement gains	34	711
	<u>7,887</u>	<u>8,053</u>
Contingent liabilities (note 11)		
Impact of COVID-19 (note 15)		
	<u>\$ 68,061</u>	<u>\$ 55,301</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ARNPRIOR REGIONAL HEALTH

Statement of Operations

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

	2022	2021
Revenue:		
Ontario Ministry of Health and Ontario Ministry of Long-Term Care (note 12)	\$ 29,912	\$ 28,275
Sources other than the Ontario Ministry of Health and Ontario Ministry of Long-Term Care:		
Inpatient and co-payment	1,683	1,546
Outpatient	1,577	1,283
Other income	2,058	1,600
Rental income	370	363
Investment income	296	122
Amortization of deferred contributions for equipment	807	679
	<u>36,703</u>	<u>33,868</u>
Expenses:		
Salaries and wages	15,924	15,359
Other supplies and expenses	10,967	9,295
Employee benefits (note 7)	4,050	3,745
Medical staff remuneration (note 12)	3,060	2,798
Amortization of equipment	1,315	1,190
Medical and surgical supplies	624	679
Drugs	321	313
	<u>36,261</u>	<u>33,379</u>
Excess of revenue over expenses before undernoted items	442	489
Amortization of deferred contributions for buildings	1,015	919
Amortization of buildings and land improvements	(1,535)	(1,278)
Ministry of Health working capital funding (note 12)	–	2,309
Realized gains from investments	589	–
	<u>69</u>	<u>1,950</u>
Excess of revenue over expenses	<u>\$ 511</u>	<u>\$ 2,439</u>

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Changes in Net Assets

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

	Unrestricted	Invested in tangible capital assets	2022 Total	2021 Total
Balance, beginning of year	\$ 3,794	\$ 3,548	\$ 7,342	\$ 4,903
Excess of revenue over expenses	1,539	(1,028)	511	2,439
Net change in investment in tangible capital assets	1,179	(1,179)	–	–
Balance, end of year	\$ 6,512	\$ 1,341	\$ 7,853	\$ 7,342

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Cash Flows

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

	2022	2021
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 511	\$ 2,439
Items not involving cash:		
Amortization of tangible capital assets	2,850	2,468
Amortization of deferred contributions	(1,822)	(1,598)
Net change in post-employment benefits liability	88	25
Net change in non-cash working capital:		
Accounts receivable:		
Ontario Ministry of Health	2,746	(3,199)
Patient services	(68)	(136)
Other	(2,640)	(5)
Inventory	22	12
Prepaid expenses	(168)	6
Accounts payable and accrued liabilities	(301)	2,014
Deferred contributions	878	273
	2,096	2,299
Capital activities:		
Net acquisition of tangible capital assets	(10,761)	(15,443)
Additions to deferred capital contributions	4,679	3,230
	(6,082)	(12,213)
Investing activities:		
Net purchases of investments	(896)	(147)
Financing activities:		
Net proceeds from loan payable	9,404	11,693
Net increase in cash	4,522	1,632
Cash, beginning of year	3,202	1,570
Cash, end of year	\$ 7,724	\$ 3,202

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Statement of Remeasurement Gains and Losses

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

	2022	2021
Accumulated remeasurement gains, beginning of year	\$ 711	\$ 229
Unrealized gains (losses) on investments	(1,378)	465
Amounts reclassified to the statement of operations: net dispositions of investments	701	17
Net remeasurement gains (losses) for the year	(677)	482
Accumulated remeasurement gains, end of year	\$ 34	\$ 711

See accompanying notes to financial statements.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements

Year ended March 31, 2022
(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, 2022
(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.

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Notes to Financial Statements (continued)

Year ended March 31, 2022
(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, 2022
(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 the borrowing rate recommended by the Ministry of Health.

(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.

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Notes to Financial Statements (continued)

Year ended March 31, 2022
(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 (2021 - \$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, 2022, ARH has \$Nil (2021 - \$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, 2022, 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. As at March 31, 2022, ARH has \$641 (2021 - \$667) outstanding under this facility.

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 in the current year, was converted into a 25-year loan upon the substantial completion of the construction project. As at March 31, 2022, ARH has \$23,922 (2021 - \$14,492) drawn under this loan.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(In thousands of dollars)

3. Investments:

	2022		2021	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 982	\$ 984	\$ 551	\$ 551
Bonds	2,554	2,755	2,285	2,268
Equities	2,510	2,273	2,991	1,596
	\$ 6,046	\$ 6,012	\$ 5,827	\$ 4,415

Investments include bonds bearing interest at rates ranging from 1.65% to 3.50% (2021 - 2.05% to 3.40%), maturing between December 2023 and December 2031 (2020 - September 2021 and June 2030).

4. Tangible capital assets:

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 220	\$ -	\$ 220	\$ 220
Land improvements	659	659	-	1
Buildings and equipment	62,393	21,263	41,130	17,312
Major equipment	18,924	15,195	3,729	3,482
Software	6,268	3,240	3,028	1,521
Assets under development	1,463	-	1,463	19,123
	\$ 89,927	\$ 40,357	\$ 49,570	\$ 41,659

Cost and accumulated amortization of tangible capital assets are presented net of disposals of \$13 (2021 - \$301). As at March 31, 2021, cost and accumulated amortization amounted to \$79,179 and \$37,520, respectively.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(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:

	2022	2021
Balance, beginning of year	\$ 949	\$ 676
Less: amounts recognized as revenue and amounts transferred to deferred capital contributions during the year	(1,345)	(1,676)
Plus: amounts received during the year	2,223	1,949
Balance, end of year	\$ 1,827	\$ 949

Deferred contributions is comprised of:

	2022	2021
AROW Health Links	\$ 26	\$ 26
Assisted Living Services	31	31
Pandemic-related funding	471	210
Other	1,299	682
Balance, end of year	\$ 1,827	\$ 949

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:

	2022	2021
Balance, beginning of year	\$ 22,952	\$ 21,320
Plus: contributions received and contributions transferred from deferred contributions during the year	4,679	3,230
Less: amount amortized to revenue during the year	(1,822)	(1,598)
Balance, end of year	\$ 25,809	\$ 22,952

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(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, 2022. The most recent actuarial valuation of post-employment benefits was completed as at March 31, 2022.

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

Post-employment benefits liability:

	2022	2021
Accrued employee future benefits obligations	\$ 1,650	\$ 1,694
Unamortized actuarial gains	(114)	(246)
Total liability	\$ 1,536	\$ 1,448

Post-employment benefits expense:

	2022	2021
Current year benefit cost	\$ 135	\$ 141
Amortization of actuarial losses (gains)	11	21
Interest on accrued benefit obligation	66	57
Total expense	\$ 212	\$ 219

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

(i) Discount rate:

The present value as at March 31, 2022 of the future benefits was determined using a discount rate of 3.21% (2021 - 3.29%).

(ii) Extended health care trend rates:

Extended health care trend rates were assumed to increase at a 5.57% per annum (2021 - 5.57%) in the first year following; and decrease by 0.25% per annum to an ultimate rate of 3.57% (2021 - to an ultimate rate of 3.57%) per annum.

(iii) Dental costs:

Dental costs were assumed to increase by 3.00% per annum (2021 - 3.00%).

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(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	2022	2021
Hospital Revenue Fund before amortization	\$ 8,794	\$ 1,616	\$ 1,179	\$ 11,589	\$ 8,794
Primary Health Care Centre Revenue Fund	(2,108)	(55)	–	(2,163)	(2,108)
Community Programs Revenue Fund	8	(5)	–	3	8
Nursing Home Revenue Fund	(2,900)	(17)	–	(2,917)	(2,900)
	3,794	1,539	1,179	6,512	3,794
Capital Fund	3,548	(1,028)	(1,179)	1,341	3,548
	\$ 7,342	\$ 511	\$ –	\$ 7,853	\$ 7,342

9. Net assets invested in tangible capital assets:

	2022	2021
Tangible capital assets	\$ 49,570	\$ 41,659
Less: deferred capital contributions	(25,809)	(22,952)
Add: funds received but not spent for capital	2,143	–
Less: loan payable	(24,563)	(15,159)
Balance, end of year	\$ 1,341	\$ 3,548

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

Deficiency of revenue over expenses:

	2022	2021
Amortization of deferred capital contributions	\$ 1,822	\$ 1,598
Amortization of tangible capital assets	(2,850)	(2,468)
	\$ (1,028)	\$ (870)

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(In thousands of dollars)

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

Deficiency of revenue over expenses (continued):

	2022	2021
Acquisition of tangible capital assets	\$ 10,761	\$ 15,443
Less: Amounts funded by deferred contributions	(4,679)	(3,230)
Add: Funds received but not spent for capital	2,143	–
Less: Amounts funded by loan payable	(9,404)	(11,693)
	\$ (1,179)	\$ 520

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 \$897 (2021 - \$1,474) were received during the year and were recorded as deferred capital contributions and \$6 (2021 - \$Nil) 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 \$80 (2021 - \$25) 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, 2022
(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 \$2,129 (2021 - \$1,998).

The Ministries' revenue is broken down as such:

	2022
Ontario Ministry of Health	\$ 25,001
Ontario Ministry of Long-Term Care	4,859
Ontario Ministry of Seniors and Accessibility	52
	<hr/> \$ 29,912 <hr/>

13. Ministry of Health working capital funding:

In March 2021, ARH was advised that it was eligible for one-time funding to address its working capital deficit. ARH was eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce ARH's working capital deficit and was not to be used for operating purposes.

At the prior year-end, the MOH provided its preliminary estimate of working capital funding of \$2,309 which was been recognized as revenue. The MOH indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to this working capital funding will be reflected in the ARH's financial statements in the year of settlement.

14. 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 ARH, 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.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(In thousands of dollars)

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 ARH's operations, revenues and expenses.

Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Any adjustments to Management's estimate of MOH revenues will be reflected in the ARH's financial statements in the year of settlement.

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	\$	1,384
Funding for the Virtual Triage and Assessment Clinic		2,816
Funding for the Temporary Retention Incentive for Nurses		159
	\$	4,359

In addition to the above, ARH received \$Nil (2021 - \$52) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions in the year received.

15. Impact of COVID-19:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market, health and societal impacts. In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, ARH has implemented a number of measures to protect patients and staff from COVID-19. In addition, ARH has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

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

ARH 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.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(In thousands of dollars)

16. 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.

(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.

ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022
(In thousands of dollars)

16. Financial Instruments (continued):

(c) Market risk (continued):

(iii) Other price risk:

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