

Financial Statements of

**ARNPRIOR REGIONAL  
HEALTH**

Year ended March 31, 2023

# ARNPRIOR REGIONAL HEALTH

## Table of Contents

Year ended March 31, 2023

---

Page

### Independent Auditor's Report

#### Financial Statements:

Statement of Financial Position.....	1
Statement of Operations .....	2
Statement of Changes in Net Assets .....	3
Statement of Cash Flows .....	4
Statement of Remeasurement Gains and Losses .....	5
Notes to Financial Statements .....	6



KPMG LLP  
150 Elgin Street, Suite 1800  
Ottawa ON K2P 2P8  
Canada  
Tel 613-212-5764  
Fax 613-212-2896

## INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***Emphasis of Matter – Restatement of financial statements***

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.



Our opinion is not modified with respect of this matter.

***Other Matter – Restatement of financial statements***

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Our opinion is not modified with respect to this matter.

***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.

***Auditor's 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 auditor's 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.



# ARNPRIOR REGIONAL HEALTH

## Statement of Financial Position

March 31, 2023, with comparative information for 2022  
(In thousands of dollars)

	2023	2022 (Restated - note 2)
<b>Assets</b>		
Current assets:		
Cash (note 3)	\$ 10,727	\$ 7,724
Accounts receivable:		
Ontario Ministry of Health	1,823	484
Patient services	396	431
Other	1,585	3,200
Inventories	205	188
Prepaid expenses	353	418
	15,089	12,445
Investments (note 4)	8,003	6,046
Tangible capital assets (note 5)	48,368	49,570
	\$ 71,460	\$ 68,061

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,762	\$ 6,418
Endowment payable (note 3)	21	21
Current portion of loan payable (note 3)	1,258	1,341
Deferred contributions (note 5)	5,169	1,827
	14,210	9,607
Long-term loan payable (note 3)	22,577	23,222
Deferred capital contributions (note 7)	25,110	25,809
Post-employment benefits (note 8(a))	1,594	1,536
Asset retirement obligations (note 9)	9,683	9,683
	73,174	69,857
Net assets (note 10):		
Unrestricted	5,379	6,512
Invested in tangible capital assets (note 11)	(6,968)	(8,342)
	(1,589)	(1,830)
Accumulated remeasurement gains (losses)	(125)	34
	(1,714)	(1,796)
Contingent liabilities (note 13)		
	\$ 71,460	\$ 68,061

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director



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 auditor's 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 auditor's 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  
July 18, 2023

# ARNPRIOR REGIONAL HEALTH

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022  
(In thousands of dollars)

	2023	2022
Revenue:		
Ontario Ministry of Health and Ontario Ministry of Long-Term Care (note 14)	\$ 35,262	\$ 29,912
Sources other than the Ontario Ministry of Health and Ontario Ministry of Long-Term Care:		
Inpatient and co-payment	2,292	1,683
Outpatient	1,601	1,577
Other income	4,134	2,058
Rental income	450	370
Investment income	114	296
Amortization of deferred contributions for equipment	808	807
	44,661	36,703
Expenses:		
Salaries and wages	20,198	15,924
Other supplies and expenses	12,520	10,967
Employee benefits (note 8)	4,250	4,050
Medical staff remuneration (note 14)	3,677	3,060
Amortization of equipment	1,395	1,315
Medical and surgical supplies	1,269	624
Drugs	369	321
	43,678	36,261
Excess of revenue over expenses before undernoted items	983	442
Amortization of deferred contributions for buildings	1,171	1,015
Amortization of buildings and land improvements	(1,913)	(1,535)
Realized gains from investments	—	589
	(742)	69
Excess of revenue over expenses	\$ 241	\$ 511

See accompanying notes to financial statements.

# ARNPRIOR REGIONAL HEALTH

## Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022  
(In thousands of dollars)

	Unrestricted	Invested in tangible capital assets	2023 Total	2022 Total (Restated - note 2)
Balance, beginning of year, as previously reported	\$ 6,512	\$ 1,341	\$ 7,853	\$ 7,342
Adjustment on adoption of asset retirement obligation standard (note 2)	—	(9,683)	(9,683)	(9,683)
Balance, beginning of year, as restated (note 2)	6,512	(8,342)	(1,830)	(2,341)
Excess (deficiency) of revenue over expenses	1,570	(1,329)	241	511
Net change in investment in tangible capital assets	(2,703)	2,703	—	—
Balance, end of year	\$ 5,379	\$ (6,968)	\$ (1,589)	\$ (1,830)

See accompanying notes to financial statements.



# ARNPRIOR REGIONAL HEALTH

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022  
(In thousands of dollars)

	2023	2022
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 241	\$ 511
Items not involving cash:		
Amortization of tangible capital assets	3,308	2,850
Amortization of deferred contributions	(1,979)	(1,822)
Unrealized loss on investments	(159)	(677)
Net change in post-employment benefits liability	58	88
Net change in non-cash working capital:		
Accounts receivable:		
Ontario Ministry of Health	(1,339)	2,746
Patient services	35	(68)
Other	1,615	(2,640)
Inventory	(17)	22
Prepaid expenses	65	(168)
Accounts payable and accrued liabilities	1,344	(301)
Deferred contributions	3,342	878
	6,514	1,419
Capital activities:		
Net acquisition of tangible capital assets	(2,106)	(10,761)
Additions to deferred capital contributions	1,280	4,679
	(826)	(6,082)
Investing activities:		
Net purchases of investments	(1,957)	(219)
Financing activities:		
Net proceeds (repayment) of loan payable	(728)	9,404
Net increase in cash	3,003	4,522
Cash, beginning of year	7,724	3,202
Cash, end of year	\$ 10,727	\$ 7,724

See accompanying notes to financial statements.

# ARNPRIOR REGIONAL HEALTH

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022  
(In thousands of dollars)

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ 34	\$ 711
Unrealized losses on investments	(159)	(1,378)
Amounts reclassified to the statement of operations:		
Net dispositions of investments	—	701
Net remeasurement gains (losses) for the year	(159)	(677)
Accumulated remeasurement gains (losses), end of year	\$ (125)	\$ 34

See accompanying notes to financial statements.

# ARNPRIOR REGIONAL HEALTH

## Notes to Financial Statements

Year ended March 31, 2023  
(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, 2023

(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, 2023  
(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, 2023

(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.

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

---

## 1. Significant accounting policies (continued):

### (g) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in the buildings and fuel tanks owned by ARH have been recognized based on estimated future expenses on closure of the site and post-closure care.

Actual remediation costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

### (h) 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.

### (i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. 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.



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

---

## 2. Implementation of new accounting standard:

PS 3280 Asset Retirement Obligations:

On April 1, 2021, the Hospital adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, ARH recognized an asset retirement obligation relating to buildings owned that contain asbestos. The related buildings are fully amortized.

ARH also recognized an asset retirement obligation relating to building service equipment, including fuel storage tanks, which are fully amortized.

In accordance with the provisions of this new accounting standard, ARH recorded the following adjustments at April 1, 2021 and for the year ended March 31, 2022:

(a) Asbestos obligation:

An increase of \$9,626 to the buildings' cost and an accompanying accumulated amortization.

(b) Fuel storage tank obligation:

An increase of \$57 to the building service equipment cost and accompanying accumulated amortization.

(c) Asset retirement obligation liability:

A total liability of \$9,683 was recorded for the asset retirement obligations.

(d) Opening net assets:

A decrease to opening accumulative invested in capital assets of \$9,683 as a result of the recognition of the liability.



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

### 3. Restricted cash and credit facility:

Cash includes restricted funds of \$21 (2022 - \$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, 2023, ARH has \$Nil (2022 - \$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, 2023, 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, 2023, ARH has \$613 (2022 - \$641) 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, 2023, ARH has \$23,222 (2022 - \$23,922) drawn under this loan.

### 4. Investments:

	Fair value	2023 Cost	Fair value	2022 Cost
Cash and cash equivalents	\$ 731	\$ 751	\$ 982	\$ 984
Guaranteed investment certificates	2,000	2,000	—	—
Bonds	2,409	2,649	2,554	2,755
Equities	2,863	2,728	2,510	2,273
	\$ 8,003	\$ 8,128	\$ 6,046	\$ 6,012

Investments include bonds bearing interest at rates ranging from 1.65% to 3.75% (2022 - 1.65% to 3.50%), maturing between June 2030 and June 2032 (2022 - December 2023 and December 2031).

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

## 5. Tangible capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 220	\$ —	\$ 220	\$ 220
Land improvements	659	659	—	—
Buildings and equipment	73,499	32,857	40,642	41,130
Major equipment	19,813	16,066	3,747	3,729
Software	6,404	3,766	2,638	3,028
Assets under development	1,121	—	1,121	1,463
	\$ 101,716	\$ 53,348	\$ 48,368	\$ 49,570

Cost and accumulated amortization of tangible capital assets are presented net of disposals of \$Nil (2022 - \$13). As at March 31, 2022, cost and accumulated amortization amounted to \$99,610 and \$50,040, respectively (as restated).

As a result of the implementation of new accounting standard PS 3280 Asset Retirement Obligations (note 2), the recognition of asset retirement obligations resulted in an increase in cost of \$9,683 and accumulated amortization of \$9,683 on April 1, 2021.

## 6. 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:

	2023	2022
Balance, beginning of year	\$ 1,827	\$ 949
Less: amounts recognized as revenue and amounts transferred to deferred capital contributions during the year	(6,001)	(1,345)
Plus: amounts received during the year	9,343	2,223
Balance, end of year	\$ 5,169	\$ 1,827

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

## 6. Deferred contributions (continued):

Deferred contributions is comprised of:

	2023	2022
AROW Health Links	\$ 26	\$ 26
Assisted Living Services	31	31
Pandemic-related funding	2,253	471
Other	2,859	1,299
Balance, end of year	\$ 5,169	\$ 1,827

## 7. 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:

	2023	2022
Balance, beginning of year	\$ 25,809	\$ 22,952
Plus: contributions received and contributions transferred from deferred contributions during the year	1,280	4,679
Less: amount amortized to revenue during the year	(1,979)	(1,822)
Balance, end of year	\$ 25,110	\$ 25,809



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

## 8. 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, 2023. The most recent actuarial valuation of post-employment benefits was completed as at March 31, 2023.

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

#### *Post-employment benefits liability:*

	2023	2022
Accrued employee future benefits obligations	\$ 1,674	\$ 1,650
Unamortized actuarial gains	(80)	(114)
<b>Total liability</b>	<b>\$ 1,594</b>	<b>\$ 1,536</b>

#### *Post-employment benefits expense:*

	2023	2022
Current year benefit cost	\$ 135	\$ 135
Amortization of actuarial losses (gains)	11	11
Interest on accrued benefit obligation	66	66
<b>Total expense</b>	<b>\$ 212</b>	<b>\$ 212</b>

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

### (i) Discount rate:

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 3.89% (2022 - 3.21%).

### (ii) Extended health care trend rates:

Extended health care trend rates were assumed to increase at a 5.57% per annum (2022 - 5.57%) in the first year following; and decrease by 0.25% per annum to an ultimate rate of 3.57% (2022 - to an ultimate rate of 3.57%) per annum.

### (iii) Dental costs:

Dental costs were assumed to increase by 3.00% per annum (2022 - 3.00%).



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

## 9. Asset retirement obligation:

ARH's asset retirement obligations consist of several obligations as follows upon the adoption of *PS 3280 Asset Retirement Obligations*:

### (a) Asbestos obligation:

ARH owns and operates buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. ARH recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. The buildings are fully amortized. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

### (b) Fuel storage tanks:

ARH owns fuel storage tanks which represents an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The tanks are fully amortized. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

The asset retirement obligations at year end are as follows:

	2023	2022
Fuel storage tanks	\$ 57	\$ 57
Asbestos removal	9,626	9,626
	<u>\$ 9,683</u>	<u>\$ 9,683</u>

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

## 10. Net assets:

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

	Opening balance	Excess (deficiency) for the year	Transfers between funds	2023	2022
Hospital Revenue Fund before amortization	\$ 11,589	\$ 1,370	\$ (2,703)	\$ 10,256	\$ 11,589
Primary Health Care Centre Revenue Fund	(2,163)	(20)	—	(2,183)	(2,163)
Community Programs Revenue Fund	3	(32)	—	(29)	3
Nursing Home Revenue Fund	(2,917)	252	—	(2,665)	(2,917)
	6,512	1,570	(2,703)	5,379	6,512
Capital Fund (as restated)	(8,342)	(1,329)	2,703	(6,968)	1,341
	\$ (1,830)	\$ 241	\$ —	\$ (1,589)	\$ 7,853

The capital fund opening balance has been restated by \$9,683 as disclosed in Note 2.

## 11. Net assets invested in tangible capital assets:

	2023	2022 (Restated - note 2)
Tangible capital assets	\$ 48,368	\$ 49,570
Less: deferred capital contributions	(25,110)	(25,809)
Add: funds received but not spent for capital	2,679	2,143
Less: loan payable related to capital	(23,222)	(24,563)
Adjustment on adoption of asset retirement obligations (note 2)	(9,683)	(9,683)
Balance, end of year	\$ (6,968)	\$ (8,342)

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

*Deficiency of revenue over expenses:*

	2023	2022
Amortization of deferred capital contributions	\$ 1,979	\$ 1,822
Amortization of tangible capital assets	(3,308)	(2,850)
	\$ (1,329)	\$ (1,028)

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

## 11. Net assets invested in tangible capital assets (continued):

*Deficiency of revenue over expenses (continued):*

	2023	2022
Acquisition of tangible capital assets	\$ 2,106	\$ 10,761
Less: Amounts funded by deferred contributions	(2,810)	(4,679)
Add: Funds received but not spent for capital	2,679	2,143
Less: Amounts funded by loan payable	728	(9,404)
	\$ 2,703	\$ (1,179)

## 12. 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 \$597 (2022 - \$897) were received during the year and were recorded as deferred capital contributions and \$Nil (2022 - \$6) 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 \$Nil (2022 - \$80) 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.

## 13. Contingent liabilities:

### (a) Legal matters and litigation:

The nature of the ARH's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2023, management believes ARH has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have material effect on the ARH's financial position.



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

---

## 13. Contingent liabilities (continued):

### (a) Legal matters and litigation (continued):

To the extent permitted by law, ARH has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service if they acted honestly and in good faith with a view to the best interest of ARH. ARH has purchased directors' and officers' liability insurance with respect to this indemnification. The nature and likelihood of these arrangements preclude the ARH from making a reasonable estimate of the maximum potential amount the ARH could be required to pay to counterparties. ARH believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

### (b) Healthcare Insurance Reciprocal of Canada:

A group of hospitals, including ARH, formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2023.

### (c) Employment matters:

During the normal course of operations, ARH is involved in certain employment related negotiations and other matters and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable and deemed likely to occur.

### (d) Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.



# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

## 14. 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 \$2,674 (2022 - \$2,129).

The Ministries' revenue is broken down as such:

	2023	2022
Ontario Ministry of Health	\$ 27,245	\$ 25,001
Ontario Ministry of Long-Term Care	7,952	4,859
Ontario Ministry of Seniors and Accessibility	65	52
	\$ 35,262	\$ 29,912

## 15. Ministry of Health pandemic funding:

In connection with the coronavirus pandemic ("COVID-19"), the MOH 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 permitted hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation in the prior year.

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.

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.

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023

(In thousands of dollars)

## 15. 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	\$	1,474
Funding for the Virtual Triage and Assessment Clinic		2,815
Funding for the Temporary Retention Incentive for Nurses		403
	\$	4,692

## 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.

ARH has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. It remains uncertain whether the Ministry of Health will directly fund this expense. ARH has sufficient financial arrangements in place including an operating line of credit to settle this one-time obligation in the short-term.

ARH's liquidity risk has increased in the year and ARH will require sufficient and timely funding from the Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

# ARNPRIOR REGIONAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2023  
(In thousands of dollars)

---

## 16. Financial Instruments (continued):

### (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.

### (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.

ARH's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the ARH's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

## 17. Comparative information:

Certain 2022 comparative information has been reclassified to conform with the financial statement presentation adopted for 2023.

