

Financial Statements of

**KEMPTVILLE DISTRICT
HOSPITAL**

Year ended March 31, 2021

KEMPTVILLE DISTRICT HOSPITAL

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Year ended March 31, 2021

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of Kemptville District Hospital (the "Hospital") as at and for the year ended March 31, 2021 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

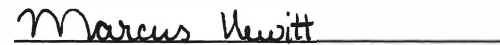
The Hospital's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Corporate Services Committee of the Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Corporate Services Committee's and the Board of Directors' approval of the financial statements.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, independent external auditors appointed by the Hospital. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.



Frank J. Vassallo
Chief Executive Officer



Marcus Hewitt, CPA
CFO & VP Operations



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INDEPENDENT AUDITORS' REPORT

To the Members of Kemptville District Hospital

Opinion

We have audited the financial statements of To the Members of Kemptville District Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- 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, 2021, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the 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, 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 10, 2021

KEMPTVILLE DISTRICT HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 3,399,351	\$ 3,755,041
Short-term investments (note 3)	1,608,487	1,583,637
Accounts receivable (note 12(a))	4,539,526	2,998,972
Inventories	99,843	79,795
Prepaid expenses	335,846	325,529
	<u>9,983,053</u>	<u>8,742,974</u>
Long-term receivable	220,000	326,291
Long-term investments (note 3)	533,756	522,038
Capital assets (note 4)	27,149,490	27,378,182
	<u>\$ 37,886,299</u>	<u>\$ 36,969,485</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,421,961	\$ 4,930,585
Deferred revenue	473,197	388,197
	<u>5,895,158</u>	<u>5,318,782</u>
Deferred contributions related to capital assets (note 6)	26,975,049	26,471,928
Employee future benefits liability (note 7)	775,500	739,700
	<u>33,645,707</u>	<u>32,530,410</u>
Net assets:		
Invested in capital assets	174,441	906,254
Restricted for endowment	28,224	28,224
Unrestricted	3,894,684	3,397,922
	<u>4,097,349</u>	<u>4,332,400</u>
Accumulated remeasurement gains	143,243	106,675
	<u>4,240,592</u>	<u>4,439,075</u>

Commitments, contingencies and guarantees (notes 10 and 11)

Impact of Coronavirus COVID-19 Pandemic (note 13)

	<u>\$ 37,886,299</u>	<u>\$ 36,969,485</u>
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See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Operations

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

	2021	2020
Revenue:		
Champlain Local Health Integration Network and Ontario Ministry of Health Allocations (Schedule A)	\$ 17,883,658	\$ 16,235,383
Other (Schedule B and D)	7,118,533	7,466,565
Other funding votes (Schedule E)	1,405,848	1,320,545
	<u>26,408,039</u>	<u>25,022,493</u>
Expenses:		
Salaries, wages and purchased services	10,370,637	9,396,837
Employee benefits	2,360,724	2,281,502
Medical staff remuneration	2,932,522	2,724,242
Supplies and other expenses	6,264,836	6,368,739
Medical and surgical supplies	1,917,909	1,672,705
Drugs and medical gases	309,232	348,299
Miscellaneous	28,993	60,546
Bad debts	29,270	15,125
Amortization of equipment	622,931	676,849
Other funding votes (Schedule E)	1,446,246	1,449,277
	<u>26,283,300</u>	<u>24,994,121</u>
Excess of revenue over expenses before undernoted	124,739	28,372
Other revenue and expenses (Schedule C)	(359,790)	(271,766)
Deficiency of revenue over expenses	<u>\$ (235,051)</u>	<u>\$ (243,394)</u>

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Changes in Net Assets

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

	Invested in capital assets	Restricted for endowment	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	\$ 906,254	\$ 28,224	\$ 3,397,922	\$ 4,332,400	\$ 4,575,794
Deficiency of revenue over expenses	-	-	(235,051)	(235,051)	(243,394)
Net acquisition of capital assets	1,631,608	-	(1,631,608)	-	-
Amortization of capital assets	(1,860,300)	-	1,860,300	-	-
Net change in deferred contributions related to capital assets	(503,121)	-	503,121	-	-
Balance, end of year	\$ 174,441	\$ 28,224	\$ 3,894,684	\$ 4,097,349	\$ 4,332,400

See accompanying note to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (235,051)	\$ (243,394)
Items which do not involve cash:		
Change in employee future benefits liability	35,800	42,200
Amortization of capital assets	1,860,300	1,799,382
Amortization of deferred capital contributions related to capital assets	(1,390,262)	(1,370,703)
Change in non-cash operating working capital (note 8)	(888,252)	(470,112)
	(617,465)	(242,627)
Capital activities:		
Deferred contributions related to capital assets received	1,893,383	1,878,665
Net purchase of capital assets	(1,631,608)	(1,795,315)
	261,775	83,350
Decrease in cash	(355,690)	(159,277)
Cash, beginning of year	3,755,041	3,914,318
Cash, end of year	\$ 3,399,351	\$ 3,755,041

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Remeasurement Gains and Losses

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

	2021		2020	
Accumulated remeasurement gains, beginning of the year	\$	106,675	\$	69,855
Unrealized gains attributable to Investments		36,568		36,820
Accumulated remeasurement gains, end of the year	\$	143,243	\$	106,675

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

1. Stature and nature of business:

The Kemptville District Hospital (the "Hospital"), a corporation without share capital, incorporated under the Corporations Act of Ontario, is a not-for-profit organization which provides health care services. As a registered charity, the Hospital is exempt from income taxes under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of the Kemptville District Hospital Auxiliary and the Kemptville District Hospital Foundation, which, although associated with the Hospital, are separately managed, and report to separate Boards of Directors.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies.

(a) Basis of presentation:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition:

Under the Local Health Integration Act, 2006, the Hospital is funded primarily by the Champlain Local Health Integration Network ("LHIN"), an entity created by the Government of Ontario on April 1, 2007. Allocations are negotiated through a Hospital Service Accountability Agreement in accordance with processes established by the LHIN and the Ministry of Health of Ontario.

Allocations are recorded as revenue in the period to which they relate when received or receivable if the amount can be reasonably estimated and collection can be reasonably assured. The final amount of revenue recorded cannot be determined until the LHIN and the Ministry of Health of Ontario have reviewed the Hospital's financial and statistical returns for the year. Any adjustment arising from these reviews is recorded in the period in which the adjustment is made.

Amounts approved but not received at the end of an accounting period are recorded as accounts receivable. When a portion of an allocation relates to a future period, it is deferred and recognized in that period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue using the straight-line method, at the related tangible capital assets' amortization rate.

Endowment contributions are recognized as direct increases in restricted for endowment net assets.

Investment income is recognized as revenue when earned.

Recoveries and miscellaneous revenue as well as revenue for services rendered are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its investment at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

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

The Standards require the Hospital to classify fair value measurements using a fair value hierarchy,

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(d) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

(e) Donations-in-kind:

The Hospital records significant donations-in-kind at fair value when it can be easily determined.

(f) Capital assets:

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the straight-line method over the following periods:

Asset	Useful life
Land improvements	8 to 20 years
Buildings and building service equipment	5 to 40 years
Equipment and equipment under capital lease	3 to 20 years
Software	5 years

Construction-in-progress is not amortized until the project is complete and the facilities come into use.

(g) Employee benefits plan:

The Hospital accrues its share of the obligation for the employee benefits plan of the Ontario Nurses Association ("ONA"). The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on the number of years of service and management's best estimate of retirement age of employees and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2021, and the next required valuation will be as of March 31, 2024.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(g) Employee benefits plan (continued):

The average remaining service period of active employees covered by the employee benefit plans is 12 years (2020 - 9 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

(h) Contributed services:

Volunteers donate a considerable number of hours to assist the Hospital in carrying out its activities on a yearly basis. Due to the difficulty in compiling these hours and in determining the 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 the obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Investments:

	Level	2021	2020
Investments consist of the following:			
Short-term fixed income securities	1	\$ 1,608,487	\$ 1,583,637
Long-term fixed income securities	1	533,756	522,038
Total		\$ 2,142,243	\$ 2,105,675

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments (continued):

The Hospital's fixed income securities have interest rates of 2.19% to 2.28% (2020 -1.90% to 2.28%) and maturity dates ranging from February 2022 to March 2022 (2020 - February 2021 to March 2022). Cost of the short-term fixed income securities as at March 31, 2021 is \$1,608,487 (2020 - \$1,499,508). Cost of the long-term fixed income securities as at March 31, 2021 is \$500,000 (2020 - \$500,000).

4. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 399,685	\$ -	\$ 399,685	\$ 399,685
Land improvements	706,074	428,945	277,129	398,360
Buildings and building service equipment	35,690,172	11,757,459	23,932,713	24,577,933
Equipment and equipment under capital lease	13,283,274	11,256,010	2,027,264	1,866,443
Software	1,156,132	1,083,433	72,699	135,761
Construction-in-progress	440,000	-	440,000	-
	\$ 51,675,337	\$ 24,525,847	\$ 27,149,490	\$ 27,378,182

Cost and accumulated amortization as at March 31, 2020 amounted to \$50,043,729 and \$22,665,547, respectively.

5. Accounts payable and accrued liabilities:

As at year end, the Hospital had \$96,613 (2020 - \$168,700) payable for government remittances, including amounts relating to harmonized sales tax and payroll-related taxes.

6. Deferred contributions related to capital assets:

	2021	2020
Balance, beginning of year	\$ 26,471,928	\$ 25,963,966
Add: Contributions received during the year	1,893,383	1,878,665
Less: Amortization related to equipment	(515,103)	(522,356)
Less: Amortization related to land improvements, buildings, building service equipment and minor equipment	(875,159)	(848,347)
Balance, end of year	\$ 26,975,049	\$ 26,471,928

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Employee future benefits:

(a) Extended health care benefits:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2021. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2021.

The Hospital's employee future benefits accrued liability and accrued benefit obligation are as follows:

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ 745,300	\$ 717,200
Prior service cost	-	-
Current period benefit cost	47,600	46,700
Interest on accrued benefits	25,400	23,800
Benefit payments	(41,500)	(33,600)
Actuarial loss	(222,500)	(8,800)
Balance, end of year	554,300	745,300
Unamortized actuarial losses	221,200	(5,600)
Employee future benefits liability	\$ 775,500	\$ 739,700

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

	2021	2020
Discount rate	3.21%	3.29%
Dental cost increases	3.00% for 2021 to 2025	2.75%
Extended healthcare cost escalations, 7% in 2017 decreasing to an ultimate rate of 3.57%	5.57% to an ultimate rate of 3.57%	6.25% to an ultimate rate of 4.75%
Expected average remaining service life of employees	12 years	9 years

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Employee future benefits (continued):

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$728,762 (2020 - \$751,880). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at March 31, 2021 indicates the Plan is fully funded.

8. Net change in non-cash working capital items:

	2021	2020
Accounts receivable	\$ (1,540,554)	\$ (1,517,173)
Inventories	(20,048)	24,115
Prepaid expenses	(10,317)	(59,937)
Long-term accounts receivable	106,291	114,421
Accounts payable and accrued liabilities	491,376	967,262
Deferred revenue	85,000	1,200
	<u>\$ (888,252)</u>	<u>\$ (470,112)</u>

9. Short-term borrowing:

The Hospital has a operating line of credit to a maximum of \$2,000,000 which bears interest at prime minus 0.5%. At March 31, 2021, the Hospital has drawn \$Nil (2020 - \$Nil).

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Related parties:

The Hospital has an economic interest in the Kemptville District Hospital Foundation (the "Foundation") and the Kemptville District Hospital Auxiliary (the "Auxiliary") which are incorporated under the Corporations Act of Ontario. Their objective is to raise, receive, maintain and manage funds and to apply all or part of them and the income derived from them for the development and promotion of the Hospital and the well-being of patients.

The Foundation is the sole beneficiary of the Rideau Valley Health Trust which holds the shares of Rideau Valley Health Services Ltd.

The Hospital is related to both Rideau Valley Health Trust and Rideau Valley Health Services Ltd. due to its significant influence over both entities by virtue of its ability to appoint 40% of the members of the Trust's Board.

(a) Kemptville District Hospital Foundation:

During the year, the Hospital recognized an amount of \$490,313 (2020 - \$676,425) received from the Foundation, represented by \$304,892 (2020 - \$490,167) in capital contributions and \$185,421 (2020 - \$186,258) in reimbursement of expenses incurred on behalf of the Foundation.

As at March 31, 2021, the Hospital had accounts receivable from the Foundation amounting to \$55,386 (2020 - \$194,349), and accounts payable to the Foundation amounting to \$763 (2020 - \$1,103). The Hospital provides the Foundation with office space without charge.

(b) Kemptville District Hospital Auxiliary:

As at March 31, 2021, the Hospital had accounts receivable from the Auxiliary amounting to \$11,987 (2020 - \$14,969). During the year, the Hospital received an amount of \$40,000 (2020 - \$70,266) from the Auxiliary.

(c) Rideau Valley Health Services Ltd.:

As at March 31, 2021, the Hospital had accounts payable to Rideau Valley Health Services Ltd. (RVHS) amounting to \$75,547 (2020 - \$9,736). The Hospital provides Rideau Valley Health Services Ltd. 9,000 square feet located at 1221 Greenbank Road, Ottawa, ON known as RVHS Health Centre. The Hospital has engaged RVHS as an independent contractor to provide services to the Family Health Organization and Specialists Groups operating in this space. Services include Administrative services for their EMR System including billing and maintenance, clinical support to physicians, DI Clinic, Diabetes Education Program and services and equipment to carry on the practice of Medicine. During the year, the Hospital incurred a net deficit totaling \$1,070,228 (2020 - \$13,583) relating to those services.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Related parties (continued):

(c) Rideau Valley Health Services Ltd.:

(i) Contingent liabilities:

The Hospital is a co-borrower with Rideau Valley Health Services Ltd. on the following credit facilities at year-end:

- (a) Rideau Valley Health Services Ltd. has a bank lease of \$815,746 (2020 - \$1,062,768) bearing interest at prime plus 0.25% and is repayable in monthly instalments of \$23,161. Under the arrangement, Rideau Valley Health Services Ltd. was able to borrow up to \$2,500,000 per the agreement signed in September 2011 and is responsible for making the required payments on the lease. If Rideau Valley Health Services Ltd. defaults on its payment obligations, the Hospital will be required to make the monthly lease payments. At March 31, 2021, the required payments are up-to-date. As at March 31, 2021, the Hospital has decided to not renew its lease and contract with RVHS which expires in August 2021, and accordingly has accrued for the full balance of the credit facility in the financial statements of \$1,370,000 (2020 - \$308,070).
- (b) Rideau Valley Health Services Ltd. has an operating line of credit with a maximum of \$650,000 which bears interest at prime. At March 31, 2021, the Rideau Valley Health Services Ltd. has drawn \$550,000 (2020 - \$490,000) on this line of credit.
- (c) Rideau Valley Health Services Ltd. has a business visa card with an available credit limit of \$30,000. At March 31, 2021, \$20,107 (2020 - \$25,439) was outstanding against this facility.

11. Commitments, contingencies and guarantees:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. There were no specific claims noted by Management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse affect on the statement of financial position or results of operations.
- (b) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital 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.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. Commitments, contingencies and guarantees (continued):

- (c) The Hospital has committed to make the following future minimum payments under a premise lease:

2022	\$ 185,160
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A portion of the space is currently being occupied by Rideau Valley Health Services Ltd.

12. Financial risks and concentration of credit risk:

- (a) Credit risk:

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

The Hospital's receivables are primarily with governments, government funding agencies, patients and residents and corporate entities. The Hospital's largest account receivable from a non-related party is the receivable of \$2,479,249 (2020 - \$1,905,680) due from the Ottawa Hospital relating to surgical procedures performed. The Hospital believes that its receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. An allowance for doubtful accounts has not been recognized as at the year ended March 31, 2021.

- (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital 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.

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Financial risks and concentration of credit risk (continued):

(c) Market risk (continued):

The Hospital believes it is not subject to significant interest rate, foreign currency or other price risks arising from its financial instruments.

There have been no significant changes from the previous year in the Hospital's exposure to market, liquidity or credit risk or the policies, procedures and methods used to measure these risks.

13. Ministry of Health pandemic funding:

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

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Due to the uncertainty of the amount of funding that will be confirmed in future years, management has recorded a provision on the receivable as noted in the chart below. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital'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	\$	576,405
Funding for revenue losses resulting from COVID-19		280,100
Broad-based funding reconciliation for other eligible costs and revenue losses		-
		856,505
Less: Provision for future changes of funding programs		-
	\$	856,505

KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Ministry of Health pandemic funding (continued):

In addition to the above, the Hospital has also recognized \$111,620 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

As at the date of approval of these financial statements, the MOH has provided its preliminary estimate of working capital funding of \$Nil which has been recognized as revenue. The MOH has 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 Hospital's financial statements in the year of settlement.

14. COVID-19 impacts:

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, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

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.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

15. Comparative information

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for 2021.

KEMPTVILLE DISTRICT HOSPITAL

Additional Information

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

Schedule A - Champlain Local Health Integration Network and Ontario Ministry of Health Allocations

	2021	2020
Base allocations	\$ 16,055,045	\$ 15,799,025
One-time payments	1,828,613	436,358
	<u>\$ 17,883,658</u>	<u>\$ 16,235,383</u>

Schedule B - Other

	2021	2020
Recoveries and miscellaneous revenue	\$ 3,216,661	\$ 2,974,142
Amortization of deferred contributions related to equipment	513,361	520,614
Other patient services	3,301,696	3,881,388
Room differential and patients' co-payments	86,815	90,421
	<u>\$ 7,118,533</u>	<u>\$ 7,466,565</u>

Schedule C - Other revenue and expenses

	2021	2020
Amortization of land improvements, buildings and building service equipment	\$ (1,234,949)	\$ (1,120,113)
Amortization of deferred contributions related to land improvements, building and buildings service equipment	875,159	848,347
	<u>\$ (359,790)</u>	<u>\$ (271,766)</u>

Schedule D - Alternative funding agreement

	2021	2020
Revenue:		
Contributions - Ontario Ministry of Health	\$ 2,078,426	\$ 1,966,682
Interest	827	1,110
	<u>2,079,253</u>	<u>1,967,792</u>
Expenses:		
Medical staff remuneration	2,052,024	1,937,792
Supplies	27,229	30,000
	<u>2,079,253</u>	<u>1,967,792</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ -</u>

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

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

Schedule E - Other funding votes

Interim long-term care beds

	2021		2020
Revenue:			
Contributions - Champlain Local Health Integration Network	\$ 1,326,727	\$	1,250,658
Amortization of deferred contributions related to equipment	1,742		1,742
Patients' co-payments	73,479		64,245
	<u>1,401,948</u>		<u>1,316,645</u>
Expenses:			
Nursing and personal care	951,830		992,554
Program and support services	191,909		197,683
Raw food	40,283		41,899
Other accommodations	242,602		198,187
Physicians on call	13,302		12,634
Amortization of equipment	2,420		2,420
	<u>1,442,346</u>		<u>1,445,377</u>
Deficiency of revenue over expenses	\$ (40,398)	\$	(128,732)

Property taxes

	2021		2020
Revenue:			
Contributions - Champlain Local Health Integration Network	\$ 3,900	\$	3,900
Expenses:			
Property taxes	3,900		3,900
Excess of revenue over expenses	\$ -	\$	-

Summary - Schedule E - Other funding votes

	2021		2020
Total revenue	\$ 1,405,848	\$	1,320,545
Total expenses	1,446,246		1,449,277
Deficiency of revenue over expenses	\$ (40,398)	\$	(128,732)