

Financial Statements of

**PEMBROKE REGIONAL  
HOSPITAL INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2021

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of Pembroke Regional Hospital Inc. have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors no fewer than twice per year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of Pembroke Regional Hospital Inc.'s system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Pembroke Regional Hospital Inc.



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Pierre Noel  
President & Chief Executive Officer



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Scott Coombes  
Vice President  
Finance & Corporate Services

Pembroke, Canada  
May 27, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pembroke Regional Hospital Inc.

### *Opinion*

We have audited the financial statements of Pembroke Regional Hospital Inc. (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
- 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 and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

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

We are independent of the 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 for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### ***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's to cease to continue as a going concern.



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- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 27, 2021

# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Operations

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

	2021	2020
<b>Revenue:</b>		
Champlain Local Health Integration Network and Ministry of Health Funding	\$ 76,455,456	\$ 76,638,298
Ministry of Health Pandemic Funding (note 18)	8,613,234	-
Other government funding	16,209,926	17,390,989
Insurers and patients	644,924	1,482,889
Other income and recoveries	3,200,769	4,297,790
Amortization of deferred contributions (note 12)	317,225	315,076
	<u>105,441,534</u>	<u>100,125,042</u>
<b>Expenses:</b>		
Salaries	48,993,469	44,869,622
Benefits	12,811,094	11,657,972
Medical staff remuneration	12,821,532	13,014,202
Purchased services	2,529,716	2,577,276
Medical and surgical supplies	4,232,185	3,771,947
Drugs and medical gases	3,041,182	2,843,362
Other supplies and expenses	16,623,306	16,906,536
Interest on demand loans and long-term debt	287,482	529,531
Interest on obligations under capital lease	7,141	11,540
Amortization - equipment	1,752,553	1,614,198
	<u>103,099,660</u>	<u>97,796,186</u>
Excess of revenue over expenses from Hospital operations	2,341,874	2,328,856
Amortization - buildings	(2,619,752)	(2,760,146)
Amortization - deferred capital contributions for buildings	1,309,766	1,087,178
Excess of revenue over expenses before undernoted item	1,031,888	655,888
Ministry of Health working capital funding (note 19)	17,546,400	-
Excess of revenue over expenses	<u>\$ 18,578,288</u>	<u>\$ 655,888</u>

See accompanying notes to financial statements



# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 1,248,276	\$ 3,391,496
Accounts receivable (note 2)	3,392,875	3,560,933
Receivable from government entities	26,083,701	2,179,849
Inventories	1,378,755	882,324
Prepaid expenses	634,308	650,170
	<u>32,737,915</u>	<u>10,664,772</u>
Loan receivable (note 3)	100,000	-
Restricted cash (note 4)	1,698,226	1,695,622
Capital assets and assets under capital leases (note 5)	75,403,437	74,063,319
	<u>\$ 109,939,578</u>	<u>\$ 86,423,713</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 16,065,748	\$ 13,139,548
Demand loans (note 6)	16,019,972	16,909,976
Deferred contributions (note 11)	1,819,301	273,761
Current portion of obligations under capital leases (note 10)	-	111,291
	<u>33,905,021</u>	<u>30,434,576</u>
Employee future benefits liability (note 8)	6,205,508	6,018,142
Long-term debt (note 9)	3,024,986	2,965,673
Obligations under capital leases (note 10)	-	64,548
Deferred capital contributions (note 12)	33,446,951	32,161,950
	<u>76,582,466</u>	<u>71,644,889</u>
Net assets	33,357,112	14,778,824
Contingencies (note 17)		
Impact of COVID-19 (note 20)		
	<u>\$ 109,939,578</u>	<u>\$ 86,423,713</u>

See accompanying notes to financial statements

On behalf of the Board:



Chair

# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Changes in Net Assets

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

	2021	2020
Net assets, beginning of year	\$ 14,778,824	\$ 14,122,936
Excess of revenue over expenses	18,578,288	655,888
Net assets, end of year	\$ 33,357,112	\$ 14,778,824

See accompanying notes to financial statements



# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Cash Flows

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

	2021	2020
Cash flows from operating activities:		
Excess of revenues over expense	\$ 18,578,288	\$ 655,888
Adjustments for:		
Interest on note payable	59,313	58,150
Amortization of deferred contributions - capital assets and other expenditures	(1,626,991)	(1,402,254)
Amortization of capital assets and assets under capital leases	4,372,305	4,374,344
Loss on disposal of capital assets	21,540	1,361
Increase in employee future benefits liability	187,366	200,578
	<u>21,591,821</u>	<u>3,888,067</u>
Changes in non-cash working capital items:		
Accounts receivable	168,058	(59,787)
Receivable from government entities	(23,903,852)	533,480
Inventories	(496,431)	(181,486)
Prepaid expenses	15,862	258,859
Accounts payable and accrued liabilities	2,926,200	(1,112,359)
Deferred contributions	1,545,540	41,714
	<u>1,847,198</u>	<u>3,368,488</u>
Cash flows from capital activities:		
Acquisition of capital assets	(5,747,690)	(5,295,043)
Proceeds from disposal of capital assets	13,727	620
	<u>(5,733,963)</u>	<u>(5,294,423)</u>
Cash flows from financing activities:		
Advance in long-term receivable	(100,000)	-
Net change in demand loans	(890,004)	(890,004)
Contributions received and deferred	2,911,992	3,006,402
Repayment of obligations under capital leases	(175,839)	(106,892)
	<u>1,746,149</u>	<u>2,009,506</u>
Cash flows from investing activities:		
Increase in restricted assets	(2,604)	(1,695,622)
Net decrease in cash	(2,143,220)	(1,612,051)
Cash, beginning of year	3,391,496	5,003,547
Cash, end of year	<u>\$ 1,248,276</u>	<u>\$ 3,391,496</u>

See accompanying notes to financial statements

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements

Year ended March 31, 2021

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The Pembroke Regional Hospital Inc. (the "Hospital") is incorporated without share capital under the Canada not-for-profit Corporations Act. The Hospital is a registered charity under the Income Tax Act and, as such, is exempt from income tax.

The Mission of the Hospital is as follows:

"We are a regional community hospital committed to delivering a wide range of quality health services. Following Catholic traditions, we will meet the physical, emotional and spiritual needs of all."

As a community hospital, the Hospital provides inpatient services such as obstetrics, surgery, medicine, and emergency. Outpatient services include day surgery, medical day care, community adult mental health and a comprehensive ambulatory clinic staffed by local specialists as well as visiting specialists. Obstetrical services are also provided to outlying areas such as Barry's Bay and Deep River, in addition to a regional mental health program and a county-wide rehabilitation program.

## 1. 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.

### (a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "MOH") and the Champlain Local Health Integration Network ("CLHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

### (c) Capital assets and assets under capital leases:

Capital assets and assets under capital leases purchased by the Hospital are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution, if determinable. Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the asset is utilized.

The cost of renovations to the Hospital buildings, which significantly increase their useful lives and capacities, is included as part of the cost of the related capital assets. Renovation costs to adapt the Hospital buildings to changing operating conditions or to maintain normal operating efficiency are expensed as incurred.

Amortization is calculated on a straight-line basis over the assets' estimated useful lives for periods varying from 3 to 50 years.

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Land improvements	10 years
Buildings and additions	10 to 50 years
Equipment and furnishings	3 to 25 years

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### (d) Contribution receivable:

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

### (e) Write-down of capital assets:

When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

### (f) Cash and cash equivalents:

The Hospital's policy is to present bank balances under cash and cash equivalents, including bank overdrafts with balances that can fluctuate from being positive to overdrawn.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (g) Employee future benefits:

The Hospital accrues its obligation under employee benefits plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and based on management's best estimate of salary escalation, retirement ages of employees and expected health care costs. As a result, the present value of expected future payments for post-employment benefits are included in the statement of financial position and the costs are included in the statement of operations in benefits. The actuarial gains and losses are amortized over the expected average remaining service life (EARSL) of the employees.

The Hospital is a member of the Healthcare of Ontario Pension Plan, a multi-employer defined benefit plan. For this plan, the Hospital has adopted defined contributions accounting standards as there is not sufficient information available to apply defined benefit accounting standards. The Hospital expenses the cost of the plan for the services rendered during the year, the amortization of past service costs and the interest costs related to future employer contributions to the plan for employees' past service costs.

### (h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market 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 periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

### (j) Financial Instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured 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.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

### (j) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

## 2. Accounts receivable:

	2021	2020
Insurers and patients	\$ 1,989,870	\$ 1,893,181
Other	1,940,678	2,346,432
	3,930,548	4,239,613
Less allowance for doubtful accounts	(537,673)	(678,680)
	\$ 3,392,875	\$ 3,560,933

## 3. Loan receivable:

The loan receivable for physician recruitment is non-interest bearing and is due at the earlier of seven years from the date of the advance being December 18, 2027 or the triggering of certain events outlined in the loan agreement which would result in the borrower being unable to fulfill the contract as an independent contractor providing agreed upon services to the Hospital. In the event of default on terms of the repayment, interest shall accrue from the date of default on the amount of the loan remaining unpaid at a rate of 5%.

	2021	2020
Loan receivable	\$ 100,000	\$ -

## 4. Restricted assets:

	2021	2020
Capital grant	\$ 1,363,266	\$ 1,361,175
Unspent capital donations	334,960	334,447
	\$ 1,698,226	\$ 1,695,622

Restricted assets consist of amounts received for the purpose of the surgical capital project

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 5. Capital assets:

	2021		
	Cost	Accumulated Amortization	Net book Value
Land and improvements	\$ 1,282,147	\$ 260,712	\$ 1,021,435
Buildings and additions	79,140,833	21,165,675	57,975,158
Equipment and furnishings	41,324,867	27,115,259	14,209,608
Construction in progress	2,197,236	-	2,197,236
	<u>\$ 123,945,083</u>	<u>\$ 48,541,646</u>	<u>\$ 75,403,437</u>
	2020		
	Cost	Accumulated Amortization	Net book Value
Land and improvements	\$ 1,282,147	\$ 260,712	\$ 1,021,435
Buildings and additions	77,370,758	19,345,119	58,025,639
Equipment and furnishings	39,043,729	25,493,498	13,550,231
Assets under capital leases - equipment	574,572	459,720	114,852
Construction in progress	1,351,162	-	1,351,162
	<u>\$ 119,622,368</u>	<u>\$ 45,559,049</u>	<u>\$ 74,063,319</u>

## 6. Demand loans:

	2021	2020
Demand loan – interest calculated monthly based on cost of funds plus 0.25%, payable in monthly instalments of \$74,167 in principal plus interest	\$ 16,019,972	\$ 16,909,976

## 7. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable	\$ 4,365,236	\$ 3,661,213
Payable to government entities	2,869,276	980,235
Payroll liabilities	7,645,047	7,377,865
Other	1,186,189	1,120,235
	<u>\$ 16,065,748</u>	<u>\$ 13,139,548</u>

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 8. Employee future benefits:

The Hospital offers its employees' health, dental and other benefits and continues to offer these benefits after their retirement through an unfunded defined benefit plan. An independent actuarial valuation of the post-retirement benefits for employees was prepared as at March 31, 2021. The accrued benefit obligation related to these employee future benefits is based on the actuarial valuation dated March 31, 2021. Information regarding these benefits is presented as follows:

	2021	2020
<i>Reconciliation of accrued benefit obligation:</i>		
Accrued benefit obligation, beginning of year	\$ 6,141,153	\$ 5,809,555
Current service cost	267,071	287,162
Interest on accrual benefit obligation	202,311	183,904
Experience (gains) losses	(114,078)	146,027
Benefits paid during the year	(313,532)	(285,495)
Accrued benefit obligation, end of year	6,182,925	6,141,153
Accrued benefit liability, end of year	6,205,508	6,018,142
	\$ (22,583)	\$ 123,011
<i>Represented by:</i>		
Unamortized actuarial losses	\$ 54,419	\$ 261,585
EORLA transferred employees remaining liability <sup>1</sup>	(77,002)	(138,574)
	\$ (22,583)	123,011
<i>Reconciliation of current year expense:</i>		
Current service cost	\$ 267,071	\$ 287,162
Amortization of actuarial gains	31,516	15,007
Interest on accrued benefit obligation	202,311	183,904
	\$ 500,898	\$ 486,073
<i>Reconciliation of accrued benefit liability:</i>		
Accrued benefit liability, beginning of year	\$ 6,018,142	\$ 5,817,564
Expense for the period	500,898	486,073
Benefits paid during the year	(313,532)	(285,495)
Accrued benefit liability, end of year	\$ 6,205,508	\$ 6,018,142



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 8. Employee future benefits (continued):

### *Actuarial assumptions:*

The actuarial cost method used for the valuation is the projected benefit method prorated on services:

	2021	2020
Discount rate on accrued benefit obligation	3.21%	3.29%
Health cost increases	8.5% Decreasing by 0.5% to 4.5%	8.5% Decreasing by 0.5% to 4.5%
Dental cost increases	4%	4%
Retirement age	Earlier of age 60 or 57 with 30 years of service or in 6 months if eligible	Earlier of age 60 or 57 with 30 years of service or in 6 months if eligible
Unamortized actuarial gains and losses	Amortized over 9.5 years	Amortized over 9.0 years

<sup>1</sup> Effective April 1, 2012, a group of employees transferred to the Eastern Ontario Regional Laboratory Association (EORLA). An accrued benefit liability related to these individuals remains under the responsibility of the Hospital up to a maximum amount of \$77,002 (2020 - \$138,574). This amount could be reduced in the future if certain life events occur. This amount is included in the Hospital's accrued benefit liability.

## 9. Long-term debt:

	2021	2020
Note payable to the Grey Sisters of the Immaculate Conception, 2.0%, maturing March 31, 2040, interest only until March 31, 2025, repayable in fifteen annual instalments of \$218,290 principal plus interest, between March 31, 2026 and March 31, 2040	\$ 3,024,986	\$ 2,965,673

There are no long-term debt principal repayments due over the next five years.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 10. Obligations under capital leases:

	2021	2020
Equipment lease contract with a book value of \$574,572 – 5%, maturing March 27, 2021, payable in monthly instalments of \$9,869, with a purchase option at maturity at fair market value estimated at \$64,548	\$ –	\$ 175,839
Current portion of obligations under capital leases	–	(111,291)
	\$ –	\$ 64,548

There are no future minimum lease payments due in the next three years.

## 11. Deferred contributions:

Deferred contributions related to other expenditures represent contributions received for specific expenses which have not yet been incurred at year-end.

Changes in deferred contributions balances for the year are as follows:

	2021	2020
Balance, beginning of year	\$ 273,761	\$ 232,047
Contributions received during the year	1,637,142	106,435
Amount related to other expenditures amortized to revenue	(91,602)	(64,721)
Balance, end of year	\$ 1,819,301	\$ 273,761

## 12. Deferred capital contributions:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at a rate corresponding to the amortization rate of the related capital assets.

	2021	2020
Buildings and additions	\$ 31,296,977	\$ 30,452,429
Equipment and furnishings	2,149,974	1,709,521
	\$ 33,446,951	\$ 32,161,950

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 12. Deferred capital contributions (continued):

Changes in deferred contributions balances for the year are as follows:

	2021	2020
Balance, beginning of year	\$ 32,161,950	\$ 30,557,802
Contributions received during the year	2,928,712	3,104,700
Amount related to other expenditures amortized to revenue	(16,720)	(98,297)
Amount related to capital assets amortized to revenue	(1,626,991)	(1,402,255)
Balance, end of year	\$ 33,446,951	\$ 32,161,950

## 13. Pension plan:

Employees of the Hospital are entitled to participation in the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. All full-time employees that have reached six months of continuous service must adhere to the Plan. It is offered on a voluntary basis to part-time employees. The cost of the contributions paid by the Hospital and expensed for the year ended March 31, 2021 amounts to \$3,846,171 (2020 - \$3,670,171). This amount is included in benefits in the statement of operations.

## 14. Economic interests:

The following transactions are in the normal course of business and are measured at their exchange amounts.

### Eastern Ontario Regional Laboratory Association (EORLA)

Pembroke Regional Hospital Inc. is one of sixteen acute care hospital facilities which participate in the integrated hospital laboratory network called EORLA, which became operational on April 1, 2012. Pembroke Regional Hospital Inc. has representation on EORLA's Board of Directors, which consists of eleven members.

EORLA has entered into a long-term service agreement with Pembroke Regional Hospital Inc. to provide laboratory services to the Hospital, and an occupancy agreement whereby the Hospital agrees to provide EORLA space within its facilities for the provision of laboratory services. The agreements are in effect for 10 years, with no escape clause for the first five years.

During the year, Pembroke Regional Hospital Inc. billed EORLA for services and supplies in the amount of \$109,816 (2020 - \$140,066), and made payments to EORLA in the amount of \$4,502,626 (2020 - \$4,590,894).

### Champlain Health Supply Services (CHSS)

CHSS was established to provide sourcing, procurement and logistics services to member hospitals within the Champlain Local Health Integration Network, with the goal of reducing the amount that member hospitals pay for such services. Pembroke Regional Hospital Inc. is one of six founding members and has one voting member on the Board of Directors.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 14. Economic interests (continued):

### Champlain Health Supply Services (CHSS) (continued)

CHSS has entered into a membership agreement with the Hospital to provide procurement services. Member hospitals pay assessment fees to CHSS and are indirectly responsible as members to cover the operating costs of CHSS annually through the funding formula. During the year, Pembroke Regional Hospital Inc. paid \$100,894 (2020 – \$120,116) in membership fees to CHSS.

### Catholic Health Corporation of Ontario

Sponsorship of Pembroke Regional Hospital Inc. is provided by the Catholic Health Corporation of Ontario. The Catholic Health Corporation of Ontario ensures that operational and land use decisions of the Hospital conform to the philosophy and mission of the Hospital as specified in its By-laws.

### Pembroke Regional Hospital Auxiliary

The Hospital and Pembroke Regional Hospital Auxiliary, although under separate and independent governance, share common goals for the future vision of healthcare in the community. With this comes a collaboration of efforts and an effect on each party's ultimate decisions.

Donation revenue of \$40,000 (2020 - \$57,000) was recorded in the year.

### Pembroke Regional Hospital Foundation

The Hospital and Pembroke Regional Hospital Foundation, although under separate and independent governance, share common goals for the future vision of healthcare in the community. With this comes a collaboration of efforts and an effect on each party's ultimate decisions.

Donation revenue of \$5,258 (2020 - \$11,879) was recorded in the year.

## 15. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital's main credit risks relate to its accounts receivable. The Hospital provides credit to its clients in the normal course of its operations.

The Hospital establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. Approximately 7% of the total accounts receivable is to be received from insurers and patients, 87% from Ontario government, and 6% from other organizations. The Hospital considers that no significant risk arises from that situation.

### (b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Hospital is exposed to this risk mainly in respect of its demand loans, accounts payable and long-term debt. The Hospital's ability to meet obligations

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

### (b) Liquidity risk (continued):

depends on the receipt of funds from its patient care services, the provincial government and other sources.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is exposed to interest risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Hospital to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Hospital no longer uses derivative financial instruments to alter the effects of this risk.

For the Hospital's long-term debt bearing a fixed interest rate, the risk exposure is minimal.

For the Hospital's demand loan bearing a variable interest rate, the Hospital's interest risk exposure is function of the changes of the underlying variable. However, a variation of 1% of the variable would not have a significant effect on the net earnings and financial position of the Hospital.

## 16. Contractual obligations:

The Hospital is committed under long-term leases and contracts for various service and maintenance agreements to make payments over the next five years as follows:

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2022	\$ 8,142,194
2023	932,895
2024	457,018
2025	327,073
2026	170,098

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### Eastern Ontario Regional Laboratory Association (EORLA)

As described in Note 14, the Hospital has entered into a long-term service agreement with EORLA for its laboratory services. The agreement is in effect for 10 years, with no escape clause for the first five years. EORLA has assumed all liabilities related to laboratory services effective April 1, 2012 and bills each member hospital semi-monthly for their share of laboratory costs incurred.

### Catholic Congregational Legacy Charity

During the year, the Grey Sisters of the Immaculate Conception transferred the specified land and buildings that the Hospital has been leasing under a long-term agreement to the Catholic Congregational Legacy Charity (CCLC). The Grey Sisters also assigned its interest in this lease to the CCLC with the term of the lease continuing until March 31, 2036. The Hospital is responsible for all occupancy costs including leasehold improvements. Additionally upon termination or expiration of the lease, the Hospital is required to return the lands to a vacant state unless otherwise required by the CCLC.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 16. Contractual obligations(continued):

### Marianhill Inc.

Pembroke Regional Hospital Inc. has contracted Marianhill Inc. for the provision of services and the operation of eighteen complex continuing care hospital beds. Payments to Marianhill Inc. during the year amount to \$2,239,561 (2020 - \$2,154,749).

## 17. Contingencies:

The Hospital is involved in litigation matters involving outstanding claims against the Hospital. In the opinion of the Hospital the insurance coverage is adequate to meet any judgment which might be rendered against the Hospital and accordingly no provision has been made in the financial statements.

The Hospital is also involved in employee related grievances and litigation matters, which the outcome is not determinable at this time. Any liability or payments resulting from these matters will be recognized in the year when the outcome is reasonably determinable and the amounts involved can be estimated.

A group of hospitals, including the Pembroke Regional Hospital Inc., have formed the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No such assessments have been made to March 31, 2021.

## 18. 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. The MOH has also permitted the carry-over of certain Fund 2 revenues with the purpose of addressing COVID-19 related pressures in fiscal 2021-22.

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.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 18. 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 the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. However, given the potential for future changes to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. 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	\$ 3,294,528
Funding for temporary pandemic pay	1,263,350
Funding for revenue losses resulting from COVID-19	3,521,300
Broad-based funding reconciliation for other eligible costs and revenue losses	1,881,108
Uninsured patients funding	84,992
Other COVID funding	124,245
	<hr/>
	10,169,523
Less: Provision for future changes to funding programs	(1,556,289)
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	\$ 8,613,234

In addition to the above, the Hospital has also recognized \$154,772 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

## 19. Ministry of Health working capital funding:

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

As at the date of approval of these financial statements, the MOH has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## **20. COVID-19 impacts:**

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

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

## **21. Comparative information:**

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.