Financial Statements of

PEMBROKE REGIONAL HOSPITAL INC.

And Independent Auditor's Report thereon

Year ended March 31, 2023

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.

Sabine Mersmann
President & Chief Executive Officer

Scott Coombes
Vice President
Finance & Corporate Services

Pembroke, Canada

May 25, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pembroke Regional Hospital Inc.

Opinion

We have audited the accompanying financial statements of Pembroke Regional Hospital Inc. (the "Hospital"), 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
- 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 Hospital as at March 31, 2023, and its results of operations, its changes in net assets 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 ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 – Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. 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 in respect of this matter.

Other Matter – Comparative Information

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.

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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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.

KPMG

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 Hospital'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 Hospital'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 Hospital 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 represents 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

Sudbury, Canada

May 25, 2023

PEMBROKE REGIONAL HOSPITAL INC.

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
				(restated - note 2)
Revenue:				
Ontario Health and Ministry of Health funding	$	83,186,721	$	79,227,143
Ministry of Health Pandemic funding (note 18)		4,907,057		7,001,916
Other government funding		18,804,365		17,459,090
Insurers and patients		1,212,561		1,176,937
Other income and recoveries		4,479,461		3,193,318
Amortization of deferred contributions (note 11)		375,346		323,502
		112,965,511		108,381,906
Expenses:				
Salaries		54,517,808		49,982,126
Benefits		13,952,742		13,390,511
Medical staff remuneration		16,250,597		14,575,611
Purchased services		4,123,211		2,598,417
Medical and surgical supplies		4,976,008		4,164,872
Drugs and medical gases		4,682,425		3,834,619
Other supplies and expenses		18,053,006		16,559,018
Interest on demand loans and long-term debt		-		120,141
Amortization - equipment		1,996,039		1,849,780
		118,551,836		107,075,095
Excess (deficiency) of revenue over expenses from Hospital operations		(5,586,325)		1,306,811
Amortization - buildings and building service equipment		(2,625,520)		(2,676,574)
Amortization - deferred capital contributions for buildings (note 12)		1,487,708		1,369,763
Excess (deficiency) of revenue over expenses before undernoted items		(6,724,137)		-
Forgiveness of long-term debt		-		3,045,153
Excess (deficiency) of revenue over expenses	$	(6,724,137)	$	3,045,153

See accompanying notes to financial statements

PEMBROKE REGIONAL HOSPITAL INC.

Statement of Financial Position

March 31, 2023, with comparative information for 2022

		2023		2022
				(restated - note 2)
Assets				
Current assets:				
Cash	$	4,738,709	$	5,757,749
Accounts receivable (note 3)		2,567,560		1,764,321
Receivable from government entities		6,770,899		9,207,003
Inventories		1,597,890		1,363,172
Prepaid expenses		807,878		882,072
		16,482,936		18,974,317
Loan receivable (note 4)		100,000		100,000
Restricted cash (note 5)		-		1,714,403
Capital assets and assets under capital leases (note 6)		82,644,029		76,763,071
	$	99,226,965	$	97,551,791
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 7)	$	22,288,384	$	18,700,613
Deferred contributions (note 11)		485,871		813,565
		22,774,255		19,514,178
Employee future benefits liability (note 9)		6,628,324		6,440,981
Asset retirement obligation (note 10)		1,425,432		1,425,432
Deferred capital contributions (note 12)		40,146,258		35,194,367
		70,974,269		62,574,958
Net assets		28,252,696		34,976,833
Contingencies (note 17)				
	$	99,226,965	$	97,551,791

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, 2023, with comparative information for 2022

		2023		2022
				(restated - note 2)
Net assets, beginning of year				
As previously stated	$	34,976,833	$	33,357,112
Adjustment for change in accounting policy (note 2)		-		(1,425,432)
As restated		34,976,833		31,931,680
Excess (deficiency) of revenue over expenses		(6,724,137)		3,045,153
Net assets, end of year	$	28,252,696	$	34,976,833

See accompanying notes to financial statements

PEMBROKE REGIONAL HOSPITAL INC.

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022 (restated - note 2)
Cash flows from operating activities:		
Excess (deficiency) of revenues over expense	$ (6,724,137)	$ 3,045,153
Adjustments for:		
Interest on note payable	-	29,896
Amortization of deferred contributions - capital assets and other expenditures	(1,863,054)	(1,693,265)
Amortization of capital assets and assets		
Forgiveness of long-term debt	-	(3,054,882)
under capital leases	4,621,559	4,526,354
Gain on disposal of capital assets	(8,185)	(238,508)
Increase in employee future benefits liability	187,343	235,473
	(3,786,474)	2,850,221
Changes in non-cash working capital items:		
Accounts receivable	(803,239)	1,628,554
Receivable from government entities	2,436,104	16,876,698
Inventories	(234,718)	15,583
Prepaid expenses	74,194	(247,764)
Accounts payable and accrued liabilities	3,587,771	2,634,865
Deferred contributions	(327,694)	(1,005,736)
	945,944	22,752,421
Cash flows from capital activities:		
Acquisition of capital assets	(10,502,517)	(5,886,660)
Proceeds from disposal of capital assets	8,185	239,180
	(10,494,332)	(5,647,480)
Cash flows from financing activities:		
Advance in long-term receivable		-
Net change in demand loans	-	(16,019,972)
Contributions received and deferred	6,814,945	3,440,681
	6,814,945	(12,579,291)
Cash flows from investing activities:		
Decrease (increase) in restricted cash	1,714,403	(16,177)
Net increase (decrease) in cash	(1,019,040)	4,509,473
Cash, beginning of year	5,757,749	1,248,276
Cash, end of year	$ 4,738,709	$ 5,757,749

See accompanying notes to financial statements

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 Ontario Health - East. 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.

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.

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

(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.

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) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been 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.

A liability for the removal of asbestos-containing materials in certain Hospital facilities and underground fuel tanks on properties owned by the Hospital has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO 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.

(i) 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.

(j) 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.

(k) 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.

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. Change in Accounting Policy (asbestos and fuel tanks)

On April 1, 2021, the Hospital adopted Public 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 certain Hospital facilities and remediation associated with underground fuel tanks on property owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to facilities owned by the Hospital that contain asbestos as well as underground fuel tanks on properties owned by the Hospital. The buildings in question were originally built in 1953 and 1963, with the Hospital undertaking a number of additions and expansions to the facilities subsequent to their initial acquisiton.

The ARO liability relating to asbestos is measured as of the date of acquisition of the buildings, when the liability was created and is calculated based on current costs without discounting to the date of the initial building acquisition. The buildings have estimated useful lives of 50 years and the estimate has not been changed since acquisition.

The ARO liability relating to fuel tanks is measured as of the date of acquisition of the fuel tanks, when the liability was created and is calculated based on current costs without discounting to the date of the initial buildling acquisition. The fuel tanks have estimated useful lives of 20 years and the estimate has not been changed since acquisition.

All assets in question are fully amortized as at April 1, 2021

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

- An asset retirement obligation in the amount of $1,425,432, representing an estimate of the current obligations.
- A decrease to opening net assets of $1,425,432, as a result of the recognition of the ARO liability and accompanying increase in amortization expense.

3. Accounts receivable:

	2023	2022
Insurers and patients	$ 1,524,701	$ 1,369,347
Other	1,755,309	1,064,088
	3,280,010	2,433,435
Less allowance for doubtful accounts	(712,450)	(669,114)
	$ 2,567,560	$1,764,321

4. 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%.

5. Restricted assets:

	2023	2022
Capital grant	$ –	$ 1,363,266
Unspent capital donations	–	351,137
	$ –	$ 1,714,403

Restricted assets consisted of amounts received for the purpose of the surgical capital project and have been fully expended during the curret year.

6. Capital assets:

2023	Cost	Accumulated Amortization	Net book Value
Land and improvements	$ 1,282,147	$ 260,712	$ 1,021,435
Buildings, building equipment and additions	94,850,454	30,876,337	63,974,117
Equipment and furnishings	32,603,075	23,849,892	8,753,183
Construction in progress	8,895,294	–	8,895,294
	$ 137,630,970	$ 54,986,941	$ 82,644,029

2022	Cost	Accumulated Amortization	Net book Value
Land and improvements	$ 1,282,147	$ 260,712	$ 1,021,435
Buildings and additions	90,494,915	28,233,452	62,261,463
Equipment and furnishings	30,531,068	22,574,440	7,956,628
Construction in progress	5,523,545	–	5,523,545
	$ 127,831,675	$ 51,068,604	$ 76,763,071

7. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable	$ 4,379,563	$ 3,066,177
Payable to government entities	4,184,474	5,064,397
Payroll liabilities	11,080,838	8,466,753
Other	2,643,509	2,103,286
	$ 22,288,384	$ 18,700,613

8. Accrual for retroactive wages:

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. The amount of this accrual is included in accounts payable and accrued liabilities.

9. 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, 2023. The accrued benefit obligation related to these employee future benefits is based on the actuarial valuation dated March 31, 2023. Information regarding these benefits is presented as follows:

	2023	2022
Reconciliation of accrued benefit obligation:		
Accrued benefit obligation, beginning of year	$ 5,820,572	$ 6,182,925
Current service cost	303,733	330,301
Interest on accrual benefit obligation	224,587	198,966
Experience gains	153,976	(592,098)
Benefits paid during the year	(281,911)	(299,522)
Accrued benefit obligation, end of year	6,220,957	5,820,572
Accrued benefit liability, end of year	6,628,324	6,440,981
	$ (407,367)	$ (620,409)

9. Employee future benefits (continued):

	2023	2022
Represented by:		
Unamortized actuarial losses	$ (330,365)	$ (543,407)
EORLA transferred employees remaining liability[1]	(77,002)	(77,002)
	$ (407,367)	$ (620,409)
Reconciliation of current year expense:		
Current service cost	$ 303,733	$ 330,301
Amortization of actuarial gains	(59,066)	5,728
Interest on accrued benefit obligation	224,587	198,966
	$ 469,254	$ 534,995
Reconciliation of accrued benefit liability:		
Accrued benefit liability, beginning of year	$ 6,440,981	$ 6,205,508
Expense for the period	469,254	534,995
Benefits paid during the year	(281,911)	(299,522)
Accrued benefit liability, end of year	$ 6,628,324	$ 6,440,981

[1] 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 (2022 - $77,002). 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. Employee future benefits (continued):

Actuarial assumptions:

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

	2023	2022
Discount rate on accrued benefit obligation	4.04%	3.89%
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 9.5 years

10. Asset retirement obligation:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities as well as underground fuel tanks on properties owned by the Hospital. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any soil contaminants in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	$ 1,425,432	$ -
Adjustment on adoption of PS 3280 asset retirement obligation standard	-	1,425,432
Opening balance, as restated	1,425,432	1,425,432
Less: obligations settled during the year	-	-
Total obligation at March 31	1,425,432	1,425,432
Less: current portion reported in accounts payable	–	–
Balance, end of year	$ 1,425,432	$ 1,425,432

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:

	2023	2022
Balance, beginning of year	$ 813,565	$ 1,819,301
Contributions received during the year	102,511	70,720
Amount related to other expenditures amortized to revenue	(430,205)	(1,076,456)
Balance, end of year	$ 485,871	$ 813,565

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.

	2023	2022
Buildings and additions	$ 36,262,245	$ 31,531,269
Equipment and furnishings	3,884,014	3,663,098
	$ 40,146,259	$ 35,194,367

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

	2023	2022
Balance, beginning of year	$ 35,194,367	$ 33,446,951
Contributions received during the year	6,824,564	3,451,930
Amount related to other expenditures amortized to revenue	(9,619)	(11,249)
Amount related to capital assets amortized to revenue	(1,863,054)	(1,693,265)
Balance, end of year	$ 40,146,258	$ 35,194,367

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, 2023 amounts to $3,899,044 (2022 - $3,899,508). 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 typically in effect for 10 years, with no escape clause for the first five years. The current contract has been extended to September30, 2023 with the expectation that it will be extended at that point to September 30, 2033.

During the year, Pembroke Regional Hospital Inc. billed EORLA for services and supplies in the amount of $105,003 (2022 - $93,832), and made payments to EORLA in the amount of $4,618,221 (2022 - $4,503,908).

Champlain Health Supply Services (CHSS)

CHSS was established to provide sourcing, procurement and logistics services to member hospitals within the Ontario Health – East region, 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.

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 $103,824 (2022 – $117,924) 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 $54,000 (2022 - $25,000) was recorded in the year.

14. Economic interests (continued):

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 $538,912 (2022 - $1,817,752) 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

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 contracts for various service and maintenance agreements to make payments over the next five years as follows:

2024	$ 886,157
2025	915,044
2026	786,811
2027	439,413
2028	200,477

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 typically 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. The current contract has been extended to September 30, 2023 with the expectation that it will be extended at that point to September 30, 2033.

Catholic Congregational Legacy Charity:

The hospital leases under a long-term agreement land and buildings from the Catholic Congregational Legacy Charity (CCLC). The lease term continue 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.

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 $2,159,262 (2022 - $2,151,849).

17. Contingencies:

(a) Legal matters and litigation:

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.

(b) Employment matters:

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.

17. Contingencies (continued):

(c) HealthCare Insurance Reciprocal of Canada:

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, 2023.

18. Ministry of Health pandemic funding:

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

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

Incremental COVID-19 operating expense funding	$ 1,160,300
Broad-based funding reconciliation for other eligible costs and revenue losses	587,913
Temporary pandemic physician funding	2,523,125
Covid Temporary Physician Summer Locum Emergency funding	559,127
Uninsured patients funding	76,592
	$4,907,057

In addition to the above, the Hospital has also recognized $Nil (2022 - $27,863) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year. The Hospital also retains a provision for future changes to funding programs of $123,889 (2022 - $526,889).

19. Comparative information:

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