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# Financial statements of Royal Victoria Regional Health Centre

March 31, 2022

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## Statement of Management Responsibility

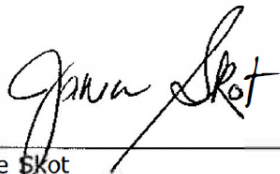
The accompanying financial statements of Royal Victoria Regional Health Centre have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all 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 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 Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the external auditors no fewer than two times a year.

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

On behalf of Royal Victoria Regional Health Centre



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Janice Skot  
President & Chief Executive Officer



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Ben Petersen  
Executive Vice President, Corporate Services &  
Chief Financial Officer

June 1, 2022  
Barrie, Canada

## Independent Auditor's Report

To the Board of Directors of  
Royal Victoria Regional Health Centre

### Opinion

We have audited the financial statements of (the "Health Centre"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2022, and the results of its operations, 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 ("Canadian GAAS"). 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 Health Centre 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 Health Centre'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 Health Centre or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Health Centre'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 Health Centre'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 Health Centre 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.

We 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 2, 2022

**Royal Victoria Regional Health Centre**  
**Statement of operations and changes in net assets**

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

	Notes	2022 \$	2021 \$
<b>Revenue</b>			
Ontario Health and MOH hospital programs		<b>304,234</b>	309,202
Ontario Health – Cancer Care Ontario Division ("OH-CCO")		<b>63,458</b>	54,790
Patient revenue		<b>29,222</b>	25,403
Recoveries and other		<b>18,817</b>	15,134
Specifically funded programs	12	<b>12,091</b>	10,707
Amortization of deferred capital contributions	9	<b>19,499</b>	20,258
		<b>447,321</b>	435,494
<b>Expenses</b>			
Salaries, wages and benefits	10	<b>241,744</b>	223,119
Medical staff remuneration		<b>42,992</b>	40,244
Medical and surgical supplies		<b>28,905</b>	26,941
Drugs		<b>34,450</b>	31,206
Equipment, maintenance and utilities		<b>20,380</b>	17,822
Other supplies and services		<b>18,837</b>	49,024
Specifically funded programs	12	<b>12,063</b>	11,000
Amortization of capital assets		<b>31,045</b>	29,323
		<b>430,416</b>	428,679
Excess of revenue over expenses		<b>16,905</b>	6,815
Net assets, beginning of year		<b>62,447</b>	55,632
<b>Net assets, end of year</b>		<b>79,352</b>	62,447

The accompanying notes are an integral part of the financial statements.

**Royal Victoria Regional Health Centre**  
**Statement of financial position**

As at March 31, 2022  
(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Assets</b>			
Current assets			
Cash	3	<b>140,572</b>	103,462
Accounts receivable	4	<b>44,041</b>	22,988
Inventories		<b>3,112</b>	3,804
Prepaid expenses		<b>6,974</b>	5,551
		<b>194,699</b>	135,805
Investment in joint venture	11 (c)	<b>161</b>	161
Capital assets	5	<b>364,105</b>	341,335
		<b>558,965</b>	477,301
<b>Liabilities</b>			
Current liabilities			
Bank loan	6	<b>20,000</b>	—
Accounts payable and accrued liabilities	7	<b>153,074</b>	109,447
Current portion of obligation under capital lease	8	<b>289</b>	282
		<b>173,363</b>	109,729
Obligation under capital lease	8	<b>372</b>	660
Deferred capital contributions	9	<b>294,660</b>	293,469
Employee future benefits	10	<b>11,218</b>	10,996
		<b>479,613</b>	414,854
Commitments and contingencies	14		
<b>Net assets</b>		<b>79,352</b>	62,447
		<b>558,965</b>	477,301

The accompanying notes are an integral part of the financial statements.

On Behalf of the Board



\_\_\_\_\_, Charlotte Wallis, Board Chair



\_\_\_\_\_, Doug Frost, 1st Vice Chair

## Royal Victoria Regional Health Centre

### Statement of cash flows

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Operating activities</b>			
Excess of revenues over expenses		16,905	6,815
Items not affecting cash			
Loss (gain) on disposal of capital assets		29	(64)
Amortization of capital assets		31,045	29,323
Amortization of deferred capital contributions	9	(19,499)	(20,258)
Deferred capital contributions recognized as revenue	9	(25)	(2)
Employee post-retirement benefits expense	10	507	502
Change in non-cash working capital	13	21,776	25,902
		<b>50,738</b>	<b>42,218</b>
<b>Capital activities</b>			
Additions to capital assets		(53,845)	(33,589)
Proceeds on disposal of capital assets		1	66
		<b>(53,844)</b>	<b>(33,523)</b>
<b>Financing activities</b>			
Proceeds of bank loan		20,000	—
Repayment of obligation under capital lease		(281)	(211)
Increase in obligation under capital lease		—	1,153
Increase in deferred capital contributions	9	20,715	21,575
Contributions to employee post-retirement benefits	10	(218)	(215)
		<b>40,216</b>	<b>22,302</b>
Increase in cash during the year		<b>37,110</b>	30,997
Cash, beginning of year		<b>103,462</b>	72,465
<b>Cash, end of year</b>		<b>140,572</b>	<b>103,462</b>

The accompanying notes are an integral part of the financial statements.



# Royal Victoria Regional Health Centre

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

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### 1. Nature of the organization

Royal Victoria Regional Health Centre (the "Health Centre") is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). The Health Centre is principally involved in providing health care services to the residents of the Simcoe Muskoka region.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

The financial statements of the Health Centre have been prepared in accordance with Canadian public sector accounting standards including PS4200-4270 pertaining to government not-for-profit organizations, and include the following significant accounting policies.

#### *Revenue recognition*

The Health Centre follows the deferral method of accounting for contributions which includes donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH"), Ontario Health ("OH") and Ontario Health's Cancer Care Ontario division ("OH-CCO").

Grants and funding authorized by the MOH/OH/OH-CCO as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Health Centre has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process, and could differ from these estimates. Refer to Note 17 for further discussion on funding relating to COVID-19 pandemic response.

Grants for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent fiscal year.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized or when the requirements to earn the contributions have occurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related asset.

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

#### *Contributed services*

The Health Centre is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Health Centre and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

# Royal Victoria Regional Health Centre

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

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### 2. Summary of significant accounting policies (continued)

#### *Financial instruments*

All financial instruments reported on the statement of financial position of the Health Centre are measured as follows:

Cash	Amortized cost
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank loan	Amortized cost

#### *Inventories*

Inventories are valued at the lower of cost and replacement cost. For inventories of stores, cost has been determined on the weighted average basis. All other inventories are valued on the first-in, first-out basis.

#### *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. Projects in progress, including related financing costs, is recorded based on costs incurred as at March 31, 2022. Amortization of projects in progress will commence upon completion of the project. When an asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its residual value.

Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	40 or 50 years
Building components	5 to 20 years
Building service equipment	5 to 20 years
Leasehold Improvements	Lease term
Equipment	5 to 20 years
Equipment under capital leases	4 to 20 years
Land improvements	5 to 20 years

In the year that the asset is put into use, amortization is taken for the full year.

#### *Capital leases*

Capital assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Health Centre are treated as capital leases and are accounted for as though a capital asset had been purchased and a liability assumed. Where the lease terms do not transfer substantially all of the benefits and risks of ownership to the Health Centre, these leases are accounted for as operating leases, wherein lease payments are expensed as incurred.

#### *Use of estimates*

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period.

Accounts involving significant estimates include accounts receivable, capital assets, certain accounts payable and accrued liabilities, deferred revenue, revenue, and employee future benefits. Actual results could differ from management's estimates as additional information becomes available in the future.

## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

## 2. Summary of significant accounting policies (continued)

### *Investment in joint venture*

The Health Centre owns 50% of the common shares of Royal ProResp Inc. The Health Centre has appointed 50% of the members of the joint venture's Board of Directors and as a result, has joint control over the strategic operating, investing and financing policies of the corporation. The remaining 50% interest is held by an unrelated party. The activity of this joint venture is included in the accompanying statements following the equity method (Note 11 (c)).

### *Employee future benefits*

The Health Centre accrues its obligations for employee future benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains and losses on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation and are amortized over the average remaining service period of the active employees. Past service costs arising from plan amendments are recognized in the year that the plan amendments occur.

The Health Centre is an employer member of the Healthcare of Ontario Pension Plan, which is a multiemployer, defined benefit pension plan. The Health Centre has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles (Note 10).

### *Impairment of long lived assets*

When conditions indicate a tangible capital asset no longer contributes to the Health Centre's ability to provide services or when the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset will be reduced to reflect the decline in the asset's value.

## 3. Cash

The Health Centre's bank accounts are held at a chartered bank. The operating bank accounts earn interest at prime less 1.60% calculated on the daily balances up to \$135,000.

## 4. Accounts receivable

	2022	2021
	\$	\$
OH/MOH	26,323	26,255
OH-CCO	3,079	2,582
The Royal Victoria Regional Health Centre Foundation	165	147
Other	15,082	12,833
	44,649	41,817
Less allowance for doubtful accounts	(608)	(18,829)
Balance, end of year	44,041	22,988

## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 5. Capital assets

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Land	33,744	—	33,744	2,097
Buildings and building components	307,157	97,789	209,368	218,784
Building service equipment	150,619	90,671	59,948	62,185
Leasehold improvements	1,781	514	1,267	1,441
Equipment	189,993	140,478	49,515	29,524
Land improvements	13,233	10,748	2,485	2,457
Projects in progress	7,778	—	7,778	24,847
	<b>704,305</b>	<b>340,200</b>	<b>364,105</b>	<b>341,335</b>

#### 6. Bank Loan

The Health Centre has the following credit facilities available with the Bank of Montreal:

- (a) Overdraft facility to a maximum authorized amount of \$20,000.
- (b) Multi-draw term loan to a maximum authorized amount of \$20,000.
- (c) Multi-draw term loan to a maximum authorized amount of \$35,000.
- (d) Multi-draw term loan to a maximum authorized amount of \$15,000.
- (e) Non-revolving term loan to a maximum authorized amount of \$30,000.

The overdraft facility bears interest at prime less 0.50%. All other facilities bear interest at prime less 0.3% (no change from 2021). All facilities are unsecured and are due on demand.

As at March 31, 2022 \$20,000 has been drawn on the non-revolving term loan and all other credit facilities are unused (none used in 2021). As at March 31, 2022, the Health Centre is in compliance with all covenants.

The principal repayment schedule is as follows:

	\$
2023	800
2024	800
2025	800
2026	800
2027	800
2028 and thereafter	16,000
	<u>20,000</u>

## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 7. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
OH/MOH	23,756	15,721
OH-CCO	974	1,174
Payroll related liabilities	37,653	31,953
Other accounts payable and accrued liabilities	29,982	36,695
Deferred revenue	60,709	23,904
Balance, end of year	<b>153,074</b>	109,447

#### 8. Obligation under capital lease

The Health Centre has entered into a capital lease obligation for equipment with interest rates ranging from 2.5% to 4.5% and ending in fiscal year 2025.

The following is a schedule of minimum lease payments required until the end of the lease.

	2022	2021
	\$	\$
2022	—	302
2023	302	302
2024	302	302
2025	76	76
	<b>680</b>	982
Less: imputed interest	19	40
	<b>661</b>	942
Less: current portion	289	282
	<b>372</b>	660

The obligation under capital lease is secured by the specific leased equipment. During the year interest of \$21 (\$20 in 2021) related to this lease was included in other supplies and services expense in the statement of operations.

#### 9. Deferred capital contributions

	2022	2021
	\$	\$
Balance, beginning of year	293,469	292,154
Additional contributions	20,715	21,575
Amounts amortized to revenue	(19,499)	(20,258)
Amounts recognized as revenue	(25)	(2)
Balance, end of year	<b>294,660</b>	293,469

# Royal Victoria Regional Health Centre

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

### 10. Employee future benefits

#### (a) Pension plan

Substantially all of the employees of the Health Centre are members of the Healthcare of Ontario Pension Plan ("HOOPP" or the "Plan") which is a multiemployer defined benefit, final average earnings, and contributory pension plan. The Health Centre's contributions to HOOPP during the year amounted to \$16,850 (\$15,788 in 2021), of which \$15,694 (\$14,727 in 2021) is included in salaries, wages and benefits expenses, \$628 (\$557 in 2021) is included in specifically funded programs expenses in the statement of operations, and \$528 (\$504 in 2021) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2021 indicates the Plan is 120% (119% in 2021) funded. Because the plan is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Health Centre does not recognize any share of the Plan surplus or deficit. The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned.

#### (b) Other employee future benefits

The Health Centre shares the cost of post-retirement extended healthcare and dental benefits with full time employees upon retirement, at any age for SEIU Local 1 members and for Non-Union, OPSEU and ONA members if they retire between ages 55-64. These benefits end at the earlier of the member's death or at age 65.

The significant actuarial assumptions adopted in estimating the Health Centre's accrued benefit obligation are as follows:

Discount rate	3.7% (2.9% in 2021) per annum
Dental benefits cost escalation	5.1% (4.7% in 2021) per annum
Extended healthcare cost escalation	4.6% (4.3% in 2021) per annum

Included in salaries, wages and benefits in the statement of operations is an amount of \$507 (\$502 in 2021) regarding non-pension benefit expense.

The following amounts have been calculated using the most recent actuarial valuation as at September 30, 2021. The next full valuation of the plan will be as at September 30, 2024.

The accrued non-pension liability as at March 31, 2022 is calculated as follows:

	<b>2022</b>	2021
	<b>\$</b>	\$
Accrued benefit liability, beginning of year	<b>11,353</b>	11,066
Expense	<b>507</b>	502
Funding contributions	<b>(218)</b>	(215)
Accrued benefit liability, end of year	<b>11,642</b>	11,353
Less: current portion included in accounts payable and accrued liabilities	<b>(424)</b>	(357)
Long-term portion	<b>11,218</b>	10,996

## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 10. Employee future benefits (continued)

The non-pension benefit expense for the year is calculated as follows:

	2022	2021
	\$	\$
Accrual for services	436	452
Interest on accrued benefits	270	266
Amortization of Actuarial gains during the period	(199)	(216)
Expense for the year	507	502

The accrued benefit liability as at March 31, 2022 is calculated as follows:

	2022	2021
	\$	\$
Accrued benefit obligation	7,208	8,927
Unamortized actuarial gains	4,434	2,426
	11,642	11,353

#### 11. Related entities

(a) *Royal Victoria Regional Health Centre Auxiliary Inc.*

The Health Centre has an economic interest in the Royal Victoria Regional Health Centre Auxiliary Inc. ("the Auxiliary"). The Auxiliary supports and assists the Health Centre, its staff and the Foundation in providing the best level of patient care through support services; in part as overseen by the volunteer services department of the Health Centre. The Health Centre does not exercise control or significant influence over the Auxiliary and consequently these financial statements do not include assets, liabilities and activities of the Auxiliary.

(b) *The Royal Victoria Regional Health Centre Foundation*

The Royal Victoria Regional Health Centre Foundation ("the Foundation") was established to raise and manage funds for the benefit of the Health Centre. The Foundation is incorporated as a public foundation under the - Ontario Corporations Act and is a registered Charity under the Income Tax Act. The net assets and results of operations of the Foundation are not included in the statements of the Health Centre. As at December 31, 2021, an amount of \$49,720 (\$37,365 as at December 31, 2020) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

During the year the Foundation contributed \$13,537 (\$491 in 2021) to the Health Centre for the purchase of capital assets, which was recorded as deferred capital contributions. The Health Centre also received from the Foundation \$369 (\$61 in 2021) for small equipment and educational purposes.

(c) *Investment in joint venture*

The Health Centre has a 50% interest in a profit oriented joint venture - Royal ProResp Inc., which is primarily engaged in providing home respiratory care services and products.

The amount of \$161 (\$161 in 2021) reported on the statement of financial position as investment in joint venture, represents the Health Centre's share of the retained earnings of the joint venture.

# Royal Victoria Regional Health Centre

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

### 11. Related entities (continued)

(c) *Investment in joint venture (continued)*

Management fees in the amount of \$499 (\$434 in 2021) are included in Recoveries and other on the statement of operations. Amounts due from ProResp Inc. in the amount of \$400 (\$400 in 2021) are included in accounts receivable on the statement of financial position.

### 12. Specifically funded programs

The Health Centre administers a number of programs which are specifically funded by OH, the MOH and other agencies. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Health Centre and any excess or deficiency of revenues over expenses is settled with the MOH and other agencies on an annual basis. As at March 31, 2022, the Health Centre has included in accounts payable an amount of \$1,089 (\$1,640 in 2021) as due to the MOH and other agencies and has included in accounts receivable an amount of nil (\$258 in 2021) as due from the MOH and other agencies related to these programs.

Included in deferred revenue (Note 7) is nil (\$41 in 2021) of One-Time Emergency Mental Health and Addictions Investments funding. The Health Centre received approval from OH to carry forward the unspent funds to be used exclusively to address COVID-19 related pressures during the 2021/2022 fiscal year. All funds were spent in the 2021/2022 fiscal year.

	<b>2022</b>	2021
	<b>\$</b>	\$
Revenue		
Community Mental Health and Substance Abuse Programs	<b>6,442</b>	5,740
Primary Care Asthma Program	<b>58</b>	55
Children's Speech and Language Program - MCCSS	<b>2,708</b>	2,574
Children's Speech and Language Program - County of Simcoe	<b>810</b>	810
Other Programs	<b>2,073</b>	1,528
	<b>12,091</b>	10,707
Expenses		
Community Mental Health and Substance Abuse Programs	<b>6,487</b>	5,790
Primary Care Asthma Program	<b>58</b>	55
Children's Speech and Language Program - MCCSS	<b>2,710</b>	2,574
Children's Speech and Language Program - County of Simcoe	<b>810</b>	810
Other Programs	<b>1,998</b>	1,771
	<b>12,063</b>	11,000



## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 13. Net change in non-cash working capital balances

	2022 \$	2021 \$
Accounts receivable	(21,053)	479
Inventories	692	(1,252)
Prepaid expenses	(1,423)	(2,017)
Accounts payable and accrued liabilities (excluding current portion of employee future benefits liability)	43,560	28,692
	<b>21,776</b>	<b>25,902</b>

Decreases in assets and increases in liabilities are sources of funds. Increases in assets and decreases in liabilities are uses of funds (indicated by brackets).

#### 14. Commitments and contingencies

- (a) The Health Centre has various operating lease and service agreements with future minimum payments. For one of the operating leases included below, the Health Centre has committed sub-leases from third parties amounting to \$876 plus operating costs.

	\$
2023	4,250
2024	833
2025	839
2026	846
2027	812
2028 and thereafter	2,669
	<b>10,249</b>

- (b) The nature of the Health Centre's activities is such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2022, it is management's position that the Health Centre has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes such claims are not expected to have a material effect on the Health Centre's financial position.
- (c) A group of healthcare institutions, including the Health Centre, are members of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. The most recent Annual Report available for HIROC is as at December 31, 2021 and is not in a deficit position.

## Royal Victoria Regional Health Centre

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 15. MOH/physician agreements

(a) *Emergency Physician alternative funding agreement*

The Health Centre has an agreement with the emergency physicians and the MOH for alternative funding for emergency services. The revenues and expenses included in the statement of operations are as follows:

	<b>2022</b>	2021
	<b>\$</b>	\$
Funding from MOH	<b>9,536</b>	9,259
Other revenue	<b>171</b>	219
	<b>9,707</b>	9,478
Medical staff remuneration		
Payments to physicians	<b>9,655</b>	9,428
Administration	<b>52</b>	50
	<b>9,707</b>	9,478
	—	—

(b) *Physician on call coverage*

The Health Centre has an agreement with the MOH for Physician on call coverage. The revenue and expenses included in the statement of operations are as follows:

	<b>2022</b>	2021
	<b>\$</b>	\$
Funding from MOH	<b>3,003</b>	3,049
Medical staff remuneration		
Payments to physicians	<b>3,003</b>	3,049
	—	—

Included in accounts payable is \$60 (\$14 in 2021) in unspent funding, as the physicians were compensated through the COVID-19 One-time Temporary Physician Funding for Hospitals.

#### 16. Financial instruments and risk management

*Establishing fair value*

The carrying value of cash, short term investments, accounts receivable, grants receivable, accounts payable and accrued liabilities, approximates their fair value because of the relatively short period to maturity of the instruments.

*Credit risk*

Credit risk relates to the potential for financial loss due to one party to a financial instrument will fail to discharge an obligation. The Health Centre is exposed to credit risk on its accounts receivable.

*Interest rate risk*

Interest rate risk relates to the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates.

## **Royal Victoria Regional Health Centre**

### **Notes to the financial statements**

March 31, 2022

(In thousands of dollars)

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#### **17. COVID-19 Pandemic**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic response, the Health Centre experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures since the start of the pandemic, and into the year ended March 31, 2022. The MOH/OH issued a series of funding announcements in the prior year, and continuing into fiscal 2022 to support the continued COVID-19 response across the Hospital sector. The various funding envelopes are intended to support the continued provision of patient care during the pandemic, and to offset the incremental operating and capital expenditures incurred to provide direct COVID-19 care.

The duration and long-term impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Health Centre in future periods.

#### **18. Comparative figures**

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.