

**South Bruce Grey Health
Centre**
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the Directors of South Bruce Grey Health Centre

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022 and the results of its operations, its change in net debt, 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 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's and Those Charged with Governance 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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Independent Auditor's Report

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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Walkerton, Ontario
June 29, 2022

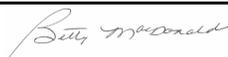
South Bruce Grey Health Centre Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash	\$ 8,185,629	\$ 9,165,377
Due from Ontario Ministry of Health	-	665,144
Accounts receivable, net (doubtful \$12,875; 2021 - \$32,739)	2,022,610	2,020,324
Inventory	279,608	390,997
Prepaid expenses	710,502	686,972
Deposits	78,500	78,500
	11,276,849	13,007,314
Assets held for capital purposes (Note 2)	4,694,210	3,200,801
Capital assets (Note 3)	29,353,029	28,520,417
	\$45,324,088	\$ 44,728,532
Liabilities and Net Assets		
Current		
Due to Ontario Ministry of Health	\$ 160,315	\$ -
Accounts payable and accrued liabilities (Note 5)	8,883,639	9,638,665
	9,043,954	9,638,665
Life insurance benefits payable	164,200	164,200
Post-employment benefits obligation (Note 6)	2,076,700	2,039,200
Deferred contributions (Note 7)	7,736,874	6,753,632
Deferred capital grants (Note 8)	15,505,569	15,262,403
	34,527,297	33,858,100
Commitments (Note 13)		
Net Assets		
Investment in capital assets	6,110,586	6,504,381
Endowment fund	13,100	13,100
Unrestricted	4,673,105	4,352,951
	10,796,791	10,870,432
	\$45,324,088	\$ 44,728,532

On behalf of the Board:



Director



Director

South Bruce Grey Health Centre Statement of Changes in Net Assets

For the year ended March 31				2022	2021
	Investment in Capital Assets	Endowments	Unrestricted	Total	Total
Balance, beginning of year	\$ 6,504,381	\$ 13,100	\$ 4,352,951	\$10,870,432	\$ 10,194,266
Excess (deficiency) of revenue over expenses for the year	(1,284,735)	-	1,211,094	(73,641)	676,166
Investment in capital assets, net	890,940	-	(890,940)	-	-
Balance, end of year	\$ 6,110,586	\$ 13,100	\$ 4,673,105	\$10,796,791	\$ 10,870,432

South Bruce Grey Health Centre Statement of Operations

For the year ended March 31	2022	2021
Revenue		
Ministry of Health:		
Hospital operations	\$37,484,112	\$ 39,148,148
Emergency and on call coverage	6,610,575	6,797,086
Other Sources:		
Other patient revenue	4,100,672	3,418,909
Preferred accommodation and co-payments	421,733	397,431
Recoveries and other revenue	2,104,535	1,424,278
Investment income	29,110	85,539
Amortization of deferred contributions	1,194,619	995,897
	51,945,356	52,267,288
Expenses		
Salaries and wages	21,642,211	21,371,376
Employee benefits	6,529,765	7,206,140
Post-employment benefits (Note 6)	113,946	138,885
Medical staff remuneration - other	2,592,702	2,119,186
Medical staff remuneration - physician programs	6,610,636	6,797,088
Medical and surgical supplies	602,744	502,926
Drugs	593,214	616,510
Supplies and services	9,973,756	9,869,979
Bad debts	22,950	42,767
Amortization	1,615,182	1,376,896
Major repairs and maintenance	857,719	761,224
	51,154,825	50,802,977
Surplus from hospital operations	790,531	1,464,311
Other revenue & expense (land improvement & building assets)		
Amortization of deferred contributions	929,125	819,786
Amortization of assets	1,793,297	1,607,931
	(864,172)	(788,145)
Excess (deficiency) of revenues over expenses for the year	\$ (73,641)	\$ 676,166

South Bruce Grey Health Centre Statement of Cash Flows

For the year ended March 31	2022	2021
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	\$ (73,641)	\$ 676,166
Items not involving cash:		
Amortization of capital assets	3,408,479	2,984,827
Employee future benefits	113,946	138,885
Amortization of deferred contributions	<u>(2,123,743)</u>	<u>(1,815,683)</u>
	1,325,041	1,984,195
Changes in non-cash working capital balances (Note 12)	<u>156,006</u>	<u>(318,432)</u>
	<u>1,481,047</u>	<u>1,665,763</u>
Investing		
Decrease (increase) in assets held for capital purposes	(1,493,409)	(85,495)
Employee future benefits plan	<u>(76,446)</u>	<u>(81,585)</u>
	<u>(1,569,855)</u>	<u>(167,080)</u>
Capital		
Contributions received for capital purposes	3,350,151	5,454,712
Purchase of capital assets	(4,241,092)	(4,048,215)
Proceeds on disposal of capital assets	<u>-</u>	<u>78,920</u>
	<u>(890,941)</u>	<u>1,485,417</u>
Net increase (decrease) in cash during the year	(979,749)	2,984,100
Cash, beginning of year	<u>9,165,378</u>	<u>6,181,278</u>
Cash, end of year	\$ 8,185,629	\$ 9,165,378

South Bruce Grey Health Centre

Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

The South Bruce Grey Health Centre is incorporated without share capital under Corporations Act of Ontario. The hospital is principally involved in providing health services to the Walkerton, Chesley, Durham and Kincardine areas.

The hospital is a registered charity under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Presentation

The financial statements of the Hospital are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB for Government NPOs).

The financial statements do not include the assets, liabilities and activities of related volunteer organizations which are not operated by the hospital, which includes the Hospital Foundations.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the hospital's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Revenue Recognition

The hospital follows the deferral method of accounting for contributions, which include donations and government grants.

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 (MOH). The Hospital has entered into a Hospital Service Accountability Agreement (the HSAA) for the 2022 fiscal year with the Ministry that set out the rights and obligations of the parties to the HSAA in respect of funding provided to the Hospital by the Ministry. The HSAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

South Bruce Grey Health Centre

Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

If the Hospital does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Hospital. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry funding received by the Hospital during the year may be increased or decreased subsequent to year end.

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 that subsequent period.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded and accordingly has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

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

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized.

South Bruce Grey Health Centre

Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Capital Assets (Continued)

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated as follows:

Land improvements	-	10 to 25 years
Buildings	-	10 to 50 years
Equipment	-	3 to 15 years

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital assets is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Retirement and Post-Employment Benefits

The hospital provides defined retirement and post-employment benefits that includes pension, health, dental and life insurance benefits to eligible retired employees. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

(a) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

(b) The costs of the multi-employer defined benefit pension plan are the employer's contributions due to the plan in the period.

(c) The discount rate used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

South Bruce Grey Health Centre

Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Financial Instruments (Continued)

Fair Value

This category includes cash and equity instruments that are quoted in an active market. They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

When a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized Cost

This category includes accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Management Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Areas of key estimation include determination of the allowance for doubtful accounts, inventory obsolescence and replacement value, estimated useful life of capital assets, assets held for capital purposes and actuarial estimation of post-employment benefits.

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

2. Assets Held for Capital Purposes

	2022	2021
Cash and guaranteed investment certificates	\$ 4,681,110	\$ 3,182,253
Accrued interest	-	5,448
Endowment fund	13,100	13,100
	\$ 4,694,210	\$ 3,200,801

The effective rate of return for the guaranteed investment certificates for the year ended March 31, 2022 was 1.255% (2021 - 1.825%).

3. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and improvements	\$ 1,702,019	\$ 1,523,296	\$ 1,702,019	\$ 1,517,757
Buildings and service equipment	47,801,695	27,871,376	45,842,762	27,224,466
Equipment	31,269,568	24,536,183	29,409,780	23,467,155
Projects in progress	2,510,602	-	3,775,234	-
	\$83,283,884	\$53,930,855	\$ 80,729,795	\$ 52,209,378
Net book value		\$29,353,029		\$ 28,520,417

Amortization expense for the year is \$3,408,479 (2021 - \$2,984,827).

4. COVID-19 Ministry of Health Funding

In response to the ongoing COVID-19 pandemic, the Ministry of Health has announced funding programs to assist hospitals with incremental operating costs as a result of COVID-19.

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

4. COVID-19 Ministry of Health Funding (continued)

Management's estimate of the hospital's Ministry of Health revenue is based on guidance which continues to evolve and the impacts of COVID-19 on the hospital's operations, revenues and expenses. This guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the Ministry of Health revenue related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

5. Accounts Payable

	2022	2021
Accounts payable and accruals	\$ 4,809,108	\$ 5,732,449
Employee benefits and salary accruals	4,074,531	3,906,216
	\$ 8,883,639	\$ 9,638,665

6. Post-Employment Benefits

The following tables outline the components of the Hospital's post-employment benefits liabilities and related expenses:

	2022	2021
Accrued post-employment benefits obligation	\$ 2,102,000	\$ 2,387,100
Unamortized actuarial losses	(25,300)	(347,900)
Total liability	\$ 2,076,700	\$ 2,039,200

	2022	2021
Current year benefit cost	\$ 100,200	\$ 90,800
Interest on accrued benefit obligation	58,500	66,700
Amortized actuarial losses	58,700	54,500
Benefit cost	217,400	212,000
Expected benefit payments per actuary	179,900	154,700
Benefits paid during the year	76,446	81,585
Expense for the year	\$ 113,946	\$ 138,885

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan (HOOPP), a multi-employer plan, described below.

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

6. Post-Employment Benefits (continued)

Pension Plan

Substantially all of the full-time employees and some of the part-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP). The plan is a multi-employer, defined benefit pension plan and, therefore, the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period in which they come due. Contributions made to the plan during the year by the Hospital totaled \$1,771,568 (2021 - \$1,782,662) and are included in employee benefits on the statement of operations.

Variances between actuarial funding estimates and the actual experience could be material and any differences are funded by participating members. HOOPP has reported a \$28.5 billion actuarial surplus at the end of December 2021 (2020 - \$24.1 billion surplus) based on actuarial liabilities of \$85.9 billion (2020 - \$79.9 billion) and actuarial net assets of \$114.4 billion (2021 - \$104.0 billion).

Post Employment Benefits

The Hospital extends post-employment life insurance, health care, and dental benefits to eligible retired employees. The Hospital recognized these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study.

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

- (a) Discount rate - the present value as at March 31, 2022 of the future benefits was determined using a discount rate of 2.90% (2021 - 2.44%).
- (b) Extended health care costs - drug costs were assumed to be 7.00% (2021 - 7.00%), grading down to 4.00% per annum in 2039. Vision costs were assumed to include a flat 0.00% (2021 - 0.00%) trend. Other medical costs were assumed to include a flat 4.00% (2021 - 4.00%) trend.
- (c) Dental costs - were assumed to include a flat 4.00% trend (2021 - 4.00%).
- (d) Semi-private hospital costs were assumed to include a flat 4.00% trend (2021 - 4.00%).

7. Deferred Contributions

Deferred contributions represent the unamortized amount of restricted contributions received for the purchase of capital assets. The amortization of contributions is recorded as revenue in the statement of operations.

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 6,753,632	\$ 6,611,258
Contributions received	2,021,555	1,007,943
Amortization	<u>(1,038,313)</u>	<u>(865,569)</u>
Balance, end of year	<u>\$ 7,736,874</u>	<u>\$ 6,753,632</u>

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

8. Deferred Capital Grants

Deferred capital grants represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital grants is recorded as revenue in the statement of operations.

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$15,262,403	\$ 11,765,748
Grants received	1,328,596	4,446,769
Amortization	<u>(1,085,430)</u>	<u>(950,114)</u>
Balance, end of year	<u>\$15,505,569</u>	<u>\$ 15,262,403</u>

9. Public Liability Insurance

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). The Health Care Centre participates in 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 of Ontario, Manitoba, Saskatchewan and Newfoundland. 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 years in which they were a subscriber. No such assessments have been made to March 31, 2022.

10. Foundation Contributions

The South Bruce Grey Health Centre receives financial support from four Foundations operating within the communities serviced by the Health Centre. While the scope of each Foundation's projects includes financial support for the Health Centre's capital initiatives, the mandate of two of the Foundations has been broadened to encompass support for community health projects. The Foundations operate independently of the Health Centre's administrative direction consequently, the relationship is not considered related party transactions as defined by PSAB for Government NPOs. Contributions received during the year from these Foundations total \$2,135,029 (2021 - \$1,031,196).

11. Credit Facility

The Health Centre has an available line of credit of \$2,500,000 with its financial institution, of which no amount was drawn again at March 31, 2022 (2021 - \$NIL). The line of credit bears interest at prime minus 0.50%.

The reporting requirements include audited financial statements be provided within 120 days after the end of each fiscal year and a business plan/financial forecast for the next fiscal year be provided within 120 days of each fiscal year end.

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

12. Statement of Cash Flows

The change in non-cash working capital balances is made up as follows:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ (2,286)	\$ (646,143)
Due from Ontario Ministry of Health	665,144	(665,144)
Inventory	111,389	(133,338)
Prepaid expenses	(23,530)	(55,848)
Due to Ontario Ministry of Health	160,315	(289,745)
Accounts payable and accrued liabilities	(755,026)	1,483,978
Sick leave benefits payable	-	(12,192)
	<u>\$ 156,006</u>	<u>\$ (318,432)</u>

13. Commitments

South Bruce Grey Health Centre accepted a bid to complete construction work at the Kincardine Hospital. This project is scheduled to begin in May 2022 and is expected to be completed in 2024. The total contract price is \$2,642,595 (net of HST recoveries). As of year end, work had not yet commenced on the project.

South Bruce Grey Health Centre accepted a bid to purchase and install a CT Scanner at the Kincardine Hospital. This scanner is scheduled to be installed in 2023. As of year end, there is \$1,470,920 (net of HST recoveries) remaining to pay for the cost of the equipment (\$367,722 has already been paid and is included in projects in progress cost in note 3).

South Bruce Grey Health Centre

Notes to Financial Statements

March 31, 2022

14. Financial Instrument Risk Management

The hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the Hospital's risk exposure and concentrations as at March 31, 2022.

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating its cash, accounts receivable, and debt holdings in its investment portfolio. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash and guaranteed investment certificates are insured up to \$200,000 (2021 - \$500,000).

Accounts receivable are primarily due from OHIP, the Ministry of Health and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections. Any aged amounts greater than 120 days owing from patients have a corresponding impairment allowance set up against them based on the Hospital's past experience. Management has reviewed the individual balances and established the impairment allowance based on the credit quality of the debtors and their past history of payment.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk. The Hospital is not exposed to significant currency risk or equity risk as it does not transact materially in foreign currency or hold significant equity financial instruments.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its interest bearing investments.

At March 31, 2022, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the guaranteed investment certificates of \$Nil (2021 - \$15,000).

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

South Bruce Grey Health Centre Notes to Financial Statements

March 31, 2022

15. HIRF Transfer Payment Carry Over

In light of the unprecedented and exceptional circumstances related to COVID-19, the entity's request for carry over of \$511,933 in unspent 2021-22 HIRF transfer payment funding into the 2022-23 funding year has been approved by the Ministry of Health in writing on March 22, 2022. The entity was unable to spend \$351,244 by March 31, 2022 as it relates to a generator unit and the manufacturing of such generator was delayed in manufacturing due to COVID-19. This \$351,244 in unspent 2021-22 HIRF transfer payment funding is to be carried forward into the 2022-23 funding year included in the deferred capital grants line on the Statement of Financial Position.

16. COVID-19

The global COVID-19 pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Although the number of outpatients has increased with more day surgeries, x-rays and ultrasound services being performed again. The entity is still experiencing an increase in costs related to compensation for employees screening for COVID-19 as well as the employees working at the assessment centre. The entity has also incurred increased cost of supplies. The Ministry of Health has provided funding to the entity in order to cover incremental COVID costs. Therefore the financial impact of COVID-19 on the entity has been minimal. As the entity's main supplier is the Ministry of Health, there has been no impact on the collectability of its accounts receivable balance. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the entity is not able to estimate the full future effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.
