

Financial Statements of

**QUINTE HEALTH CARE
CORPORATION**

Year ended March 31, 2021

QUINTE HEALTH CARE CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Directors of Quinte Health Care Corporation

Opinion

We have audited the financial statements of Quinte Health Care Corporation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 25, 2021

QUINTE HEALTH CARE CORPORATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 17,593,997	\$ 18,485,313
Accounts receivable (note 2)	23,326,024	7,686,204
Inventories (note 3)	2,394,691	1,582,470
Prepaid expenses	4,271,812	2,925,210
	<u>47,586,524</u>	<u>30,679,197</u>
Capital assets (note 4)	168,351,169	172,143,488
	<u>\$ 215,937,693</u>	<u>\$ 202,822,685</u>

Liabilities, Deferred Capital Contributions and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 44,819,807	\$ 39,066,648
Current liabilities before callable debt	44,819,807	39,066,648
Callable debt (note 7)	—	1,408,110
	<u>44,819,807</u>	<u>40,474,758</u>
Long-term debt:		
Long-term debt (note 6)	208,141	230,530
Capital leases payable (note 7)	1,354,233	—
Employee future benefit liabilities (note 8)	7,970,200	7,938,200
Deferred capital contributions (note 9)	157,959,772	158,612,953
Net assets (deficiency):		
Invested in capital assets (note 10(a))	10,739,800	13,217,806
Unrestricted deficiency	(7,114,260)	(17,651,562)
	<u>3,625,540</u>	<u>(4,433,756)</u>
Contingencies and commitments (note 11)		
	<u>\$ 215,937,693</u>	<u>\$ 202,822,685</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

QUINTE HEALTH CARE CORPORATION

Statement of Operations

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

	2021	2020
Revenue:		
Ministry of Health (notes 12 and 13)	\$ 211,108,111	\$ 180,204,059
Patient revenue	17,595,100	21,329,366
Marketed services	1,498,110	2,409,679
Recoveries and other revenue	2,270,602	4,664,574
Investment income	79,300	241,975
Other Ministry programs	8,622,016	8,491,967
Amortization of deferred capital contributions - equipment	3,632,138	4,517,260
	<u>244,805,377</u>	<u>221,858,880</u>
Expenses:		
Compensation - salaries	117,233,066	102,946,010
Compensation - benefits	31,942,183	29,256,508
Medical staff remuneration	24,540,763	24,220,063
Medical and surgical supplies	9,378,056	9,490,175
Drugs and medicine	11,931,508	9,434,014
Supplies and other expenses	34,790,832	31,016,029
Other Ministry programs	8,622,016	8,491,967
Employee future benefits	391,500	390,500
Amortization of capital assets - equipment	5,845,412	6,225,224
	<u>244,675,336</u>	<u>221,470,490</u>
Excess of revenue over expenses from hospital operations	130,041	388,390
Amortization of deferred capital grants/ donations - buildings and improvements	5,872,233	6,230,175
Amortization of capital assets - buildings and improvements	(6,758,978)	(7,362,351)
	<u>(886,745)</u>	<u>(1,132,176)</u>
Excess of expenses over revenue before undernoted	(756,704)	(743,786)
Ministry of Health working capital funding (note 14)	8,816,000	—
Excess of revenue over expenses (expenses over revenue)	<u>\$ 8,059,296</u>	<u>\$ (743,786)</u>

See accompanying notes to financial statements.

QUINTE HEALTH CARE CORPORATION

Statement of Changes in Net Assets (Deficiency)

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

	Invested in capital assets	Unrestricted	2021 Total	2020 Total
Balance (deficiency), beginning of year	\$ 13,217,806	\$ (17,651,562)	\$ (4,433,756)	\$ (3,689,970)
Excess of revenue over expenses (expenses over revenue) (note 10(b))	(3,100,019)	11,159,315	8,059,296	(743,786)
Net change in investment in capital assets (note 10(b))	622,013	(622,013)	–	–
Balance (deficiency), end of year	\$ 10,739,800	\$ (7,114,260)	\$ 3,625,540	\$ (4,433,756)

See accompanying notes to financial statements.

QUINTE HEALTH CARE CORPORATION

Statement of Cash Flows

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

	2021	2020
Operations:		
Excess of revenue over expenses (expenses over revenue) \$	8,059,296	\$ (743,786)
Items not involving cash:		
Amortization of capital assets	12,604,390	13,587,575
Amortization of deferred capital contributions	(9,504,371)	(10,747,435)
Change in non-cash working capital (note 15)	(12,158,482)	627,342
Change in employee future benefits	32,000	(900)
	(967,167)	2,722,796
Capital activities:		
Purchase of capital assets	(8,812,071)	(6,759,814)
Deferred capital contributions received	8,851,190	3,469,138
	39,119	(3,290,676)
Financing activities:		
Increase in capital leases payable	338,513	–
Repayments of capital leases payable	(280,123)	(218,058)
Repayments of long-term debt	(21,658)	(21,289)
	36,732	(239,347)
Decrease in cash	(891,316)	(807,227)
Cash, beginning of year	18,485,313	19,292,540
Cash, end of year	\$ 17,593,997	\$ 18,485,313

See accompanying notes to financial statements.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

The Quinte Health Care Corporation (the "Corporation") is an integrated system of four hospitals - QHC Belleville General Hospital, QHC North Hastings Hospital, QHC Prince Edward County Memorial Hospital and QHC Trenton Memorial Hospital - providing care to the residents of Hastings and Prince Edward Counties and the southeast portion of Northumberland County.

The Corporation is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

Under the Health Insurances Act and Regulations thereto, the Corporation is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health (the "Ministry")/Local Health Integration Network ("LHIN"). The financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2021. The Corporation has entered into an accountability agreement with the South East LHIN which requires that the Corporation meet certain financial and non-financial performance indicators.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 series of standards for government not-for-profit organizations.

(a) Revenue recognition:

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

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 that subsequent period.

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

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted 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.

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

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) Inventories:

Inventories are valued at the lower of cost on a first-in, first-out basis, and replacement cost.

(c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital lease are initially recorded at the present value of future minimum lease payments and are amortized over the life of the assets. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses, while betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to operations in the year of disposition.

Projects in progress are amortized when they are considered substantially complete and are ready for use by the Corporation.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	10% to 20%
Buildings	2.5% to 20%
Furniture and equipment	5% to 33%

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include obligations related to employee future benefits. Actual results could differ from those estimates.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(f) Employee future benefit liabilities:

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

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plans is 15 years (2020 - 15 years).

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

The most recent funding of this multi-employer pension plan conducted as at December 31, 2020 disclosed actuarial assets of \$104 billion with accrued pension liabilities of \$79.9 billion, resulting in a surplus of \$24.1 million. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2020 based on the assumptions and methods adopted for the valuation.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not subsequently elected to carry financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported on the Statement of Operations.

Long-term debt is recorded at cost.

(h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2021.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Accounts receivable:

	2021	2020
Ministry of Health	\$ 7,697,034	\$ 1,343,837
Ministry of Health – working capital funding (note 14)	8,816,000	–
OHIP	1,488,863	1,244,305
Harmonized sales tax	1,636,827	848,787
Due from foundations	1,824,476	852,299
Other	2,577,824	4,371,976
	24,041,024	8,661,204
Less: allowance for doubtful accounts	(715,000)	(975,000)
	\$ 23,326,024	\$ 7,686,204

3. Inventories:

	2021	2020
Main	\$ 1,216,094	\$ 628,021
Pandemic	13,814	13,814
Pharmacy	1,054,500	855,193
Food	110,283	85,442
	\$ 2,394,691	\$ 1,582,470

4. Capital assets:

Capital assets are comprised of the following items:

	Cost	Accumulated amortization	2021 Total	2020 Total
Land	\$ 1,178,178	\$ –	\$ 1,178,178	\$ 1,178,178
Land improvements	1,750,192	1,332,911	417,281	455,278
Buildings	264,767,455	122,709,299	142,058,156	147,088,469
Furniture and equipment	159,222,870	138,120,643	21,102,227	20,247,643
Projects in progress	3,595,327	–	3,595,327	3,173,920
	\$ 430,514,022	\$ 262,162,853	\$ 168,351,169	\$ 172,143,488

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Capital assets (continued):

During the year, the Corporation wrote-off capital assets in the amount of \$502,790 (2020 - \$2,614,002) and accumulated amortization of capital assets in the amount of \$495,048 (2020 - \$2,614,002). This write-off was the result of removing capital assets which had been disposed of or had no further useful life. The difference amounting to \$7,742 (2020 - \$Nil) was reflected in amortization of capital assets on the Statement of Operations.

Cost and accumulated amortization of capital assets at March 31, 2020 amounted to \$422,196,643 and \$250,053,155, respectively.

5. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable and accruals	\$ 29,663,044	\$ 25,564,303
Accrued salaries and wages	5,706,797	5,278,706
Accrued vacation pay	9,089,932	7,976,603
Current portion of long-term debt	22,389	21,658
Current portion of capital leases payable	337,645	225,378
	<u>\$ 44,819,807</u>	<u>\$ 39,066,648</u>

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Long-term debt:

The loan is unsecured and was used to finance the purchase of residential properties as a possible contingency strategy for future parking requirements.

	2021	2020
Loan bearing interest at 2.7% per annum, repayable in blended monthly installments of \$2,367, repaid during the year	\$ —	\$ 252,188
Loan bearing interest at 2.8% per annum, repayable in blended monthly installments of \$2,379 until maturity in May 2025	230,530	—
	230,530	252,188
Less current portion	22,389	21,658
	\$ 208,141	\$ 230,530

Principal due on long-term debt in each of the next five years is as follows:

2022	\$	22,389
2023		23,020
2024		23,669
2025		24,337
2026		137,115
	\$	230,530

Interest paid during the year on long-term debt amounted to \$6,706 (2020 - \$7,124).

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Capital leases payable:

	2021	2020
Capital lease on equipment (energy and facility renewal upgrade) bearing interest at 3.34% per annum repayable in blended monthly installments of \$25,562 until maturity on March 28, 2021	\$ —	\$ 1,633,488
Capital lease on equipment (energy and facility renewal upgrade) bearing interest at 2.14% per annum repayable in blended monthly installments of \$27,866 until maturity on March 28, 2026	1,404,537	—
Capital lease on equipment (Omniceils) bearing interest at 0.33% per annum repayable in blended quarterly installments of \$18,918 until maturity at June 30, 2025	287,341	—
	1,691,878	1,633,488
Less current portion	337,645	225,378
Less callable debt	—	1,408,110
	\$ 1,354,233	\$ —

Future principal and interest repayments on capital leases (energy and facility renewal upgrade) over the next five years are approximately as follows:

	Principal	Interest	Total
2022	\$ 269,414	\$ 26,515	\$ 295,929
2023	275,043	20,887	295,930
2024	280,788	15,142	295,930
2025	286,652	9,278	295,930
2026	292,640	3,290	295,930
	\$ 1,404,537	\$ 75,112	\$ 1,479,649

Interest paid during the year on capital leases payable (energy and facility renewal upgrade) amounted to \$47,938 (2020 - \$58,525).

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Capital leases payable (continued):

Future principal and interest repayments on capital leases (Omnicells) over the next five years are approximately as follows:

	Principal	Interest	Total
2022	\$ 67,423	\$ 849	\$ 68,272
2023	67,646	626	68,272
2024	67,870	402	68,272
2025	68,094	178	68,272
2026	16,308	760	17,068
	\$ 287,341	\$ 2,815	\$ 290,156

Interest paid during the year on capital leases payable (Omnicells) amounted to \$780 (2020 - \$Nil).

8. Employee future benefits:

The Corporation provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2021. The next valuation of the plan is effective March 31, 2024.

At March 31, 2021, the Corporation's accrued benefit liabilities relating to post-retirement and post-employment benefit plans is \$7,795,200 (2020 - \$7,863,200).

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

Discount rate for calculation of Fiscal 2021 Net Benefit Cost	3.1%
Discount rate for calculation of March 31, 2021 disclosures	3.0%
Dental benefits escalation (2021-2025)	3.0%
Health benefits escalation (2021-2025)	5.57%

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Employee future benefits (continued):

Information with respect to the Corporation's post-retirement and post-employment benefit liabilities is as follows:

	2021	2020
Accrued benefit liabilities, beginning of year	\$ 7,863,200	\$ 7,876,600
Current service costs	361,000	361,800
Interest on accrued benefit obligation	211,000	198,400
Benefits paid for the period	(459,500)	(403,900)
Amortization of actuarial gain	(180,500)	(169,700)
Accrued benefit liabilities, end of year	\$ 7,795,200	\$ 7,863,200

Accrued benefit liabilities at March 31, include the following components:

	2021	2020
Accrued benefit obligation	\$ 6,101,800	\$ 6,674,100
Unamortized experience gains	1,693,400	1,189,100
Accrued benefit liability	7,795,200	7,863,200
Other benefit liabilities	175,000	75,000
Total accrued benefit liability	\$ 7,970,200	\$ 7,938,200

9. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized and unspent balances of donations and grants received for capital assets acquisitions. Details of the continuity of these funds are as follows:

	2021	2020
Balance, beginning of year	\$ 158,612,953	\$ 165,891,250
Additional contributions received	8,851,190	3,469,138
	167,464,143	169,360,388
Less: amounts amortized to revenue	(9,504,371)	(10,747,435)
Balance, end of year	\$ 157,959,772	\$ 158,612,953

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Deferred capital contributions (continued):

The balance of unamortized and unspent funds consists of the following:

	2021	2020
Unamortized capital contributions used to purchase assets	\$ 155,688,961	\$ 157,040,006
Unspent contributions	2,270,811	1,572,947
	<u>\$ 157,959,772</u>	<u>\$ 158,612,953</u>

Included in unspent contributions is \$660,000 (2020 - \$15,612) related to Health Infrastructure Renewal Funding that was approved by the Ministry of Health to be carried forward to the 2022 fiscal year.

10. Invested in capital assets:

(a) The investment in capital assets is calculated as follows

	2021	2020
Capital assets	\$ 168,351,169	\$ 172,143,488
Amounts financed by:		
Deferred contributions	(155,688,961)	(157,040,006)
Long-term debt	(230,530)	(252,188)
Capital leases payable	(1,691,878)	(1,633,488)
	<u>\$ 10,739,800</u>	<u>\$ 13,217,806</u>

(b) The change in investment in capital assets is calculated as follows:

	2021	2020
Excess of expenses over revenue:		
Amortization of capital assets	\$ (12,604,390)	\$ (13,587,575)
Amortization of deferred capital contributions	9,504,371	10,747,435
	<u>\$ (3,100,019)</u>	<u>\$ (2,840,140)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 8,812,071	\$ 6,759,814
Amounts funded by deferred contributions	(8,153,326)	(3,442,083)
Increase in capital leases payable	(338,513)	—
Repayments of capital leases payable	280,123	218,058
Repayments of long-term debt	21,658	21,289
	<u>\$ 622,013</u>	<u>\$ 3,557,078</u>

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. Contingencies and commitments:

- (a) The Corporation has received funding from the Ministry and South East LHIN for specific services which are subject to annual final reviews and approval. Pursuant to the related agreements, if the Corporation does not meet specified levels of activity, the Ministry and South East LHIN are entitled to recover funds. Any adjustments resulting from the reviews will be reflected in the year of Ministry approval as an adjustment to revenue on the Statement of Operations.
- (b) The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2021, management believes that the Corporation has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.
- (c) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on April 1, 2014. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of 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, 2021.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2021.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. Contingencies and commitments (continued):

(d) Employment matters:

During the normal course of operations, the Corporation is involved in certain employment-related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

(e) Environmental site assessment:

In 2018, the Corporation undertook an Environmental Site Assessment on a parcel of vacant land. This assessment identified contaminated soil. Based upon existing environmental regulations, the Corporation would be required to remediate this land subject to future development. The remediation cost to bring this land to the environment standard has been estimated at ranging from \$1 million to \$2.6 million. As at March 31, 2021, the Corporation has no plans to develop this land. Due to the uncertainty surrounding the timing and nature of the remediation, no liability has been recognized in the Corporation's financial statements.

(f) During the year, the Corporation entered into a construction agreement related to the expansion of the ICU within the Belleville General Hospital. The remaining costs associated with this contract are approximately \$5.8 million, with construction expected to be completed in fiscal 2022.

(g) The Corporation is in the final stages of approving a major information systems project to replace its current core patient management and financial systems over the next six years. The project will be delivered through a partnership led by Kingston Health Sciences Centre in partnership with Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smith Falls District Hospital, and Providence Care Hospital. Collectively the hospitals have gone through a rigorous process of procurement and planning over the past four years and anticipate signing all the necessary agreements to commence the systems implementation in July 2021. The project has a planned budget for the Corporation of approximately \$55 million, and will require the Corporation to enter into debt, details of which are still in development.

12. Ministry of Health funding:

Included in Ministry of Health and South East LHIN revenue is funding for Hospital On-Call coverage totaling \$2,758,714 (2020 - \$2,640,959) and funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2021 of \$7,309,567 (2020 - \$6,637,130).

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Ministry of Health pandemic funding:

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

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

Management’s estimate of Ministry of Health revenue for COVID-19 is based on the most recent guidance provided by Ministry of Health and the impacts of COVID-19 on the Corporation’s operations, revenues and expenses. Any adjustments to Management’s estimate of Ministry of Health revenues will be reflected in the Corporation’s financial statements in the year of settlement.

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

Funding for incremental COVID-19 operating expenses	\$ 9,100,277
Funding for pandemic pay	3,808,512
Funding for COVID-19 assessment centre and lab testing	3,641,472
Broad-based funding reconciliation for other eligible costs and revenue losses	2,414,086
Funding for revenue losses resulting from COVID-19	1,809,097
Funding for temporary physician funding	441,898
	<hr/>
	\$ 21,215,342

In addition to the above, the Corporation has also recognized \$1,732,701 in Ministry of Health funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Ministry of Health working capital funding:

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

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

15. Change in non-cash operating working capital:

	2021	2020
Accounts receivable	\$ (15,639,820)	\$ 1,390,048
Inventories	(812,221)	(55,539)
Prepaid expenses	(1,346,602)	(754,426)
Accounts payable and accrued liabilities	5,753,159	54,949
	(12,045,484)	635,032
Less:		
Current portion of capital leases payable	(731)	(369)
Current portion of long-term debt	(112,267)	(7,321)
	\$ (12,158,482)	\$ 627,342

16. Credit facilities:

The Corporation has an available operating line of credit facility of \$12,000,000 (2020 - \$12,000,000) which was not drawn on during the year (2020 - undrawn). The unsecured, operating line is due on demand and bears interest at the bank prime rate less 0.9%.

17. Pension plan:

Substantially all of the employees of the Corporation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Corporation on behalf of its employees amounted to \$9,594,890 (2020 - \$8,934,395) and are recorded in the Statement of Operations.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

17. Pension plan (continued):

Pension expense is based on the Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2020 Annual Report indicates the plan is fully funded at 119%.

18. Related party transactions:

- (a) The Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, Prince Edward County Memorial Hospital Foundation and North Hastings Fund Development Committee:

The Corporation has an economic interest in the above four foundations. These foundations' principal activity is to collect and maintain funds to be used substantially for building, equipment purchases, and special program costs for the Corporation.

The Corporation recognized the following contributions from their foundations to fund building and equipment purchases:

	Equipment		Building	
	2021	2020	2021	2020
The Belleville General Hospital Foundation Inc.	\$ 1,560,583	\$ 455,495	\$ —	\$ —
Trenton Memorial Hospital Foundation	2,024,104	664,139	72,490	—
Prince Edward County Memorial Hospital Foundation	223,004	402,960	20,000	—
North Hastings Fund Development Committee	186,836	124,422	—	69,365
	<u>\$ 3,994,527</u>	<u>\$ 1,647,016</u>	<u>\$ 92,490</u>	<u>\$ 69,365</u>

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

18. Related party transactions (continued):

- (b) Belleville General Hospital Auxiliary, Trenton Memorial Hospital Auxiliary, Prince Edward County Memorial Hospital Auxiliary Incorporated, and The North Hastings District Hospital Auxiliary:

The Corporation has an economic interest in the auxiliaries. Quinte Health Care Corporation auxiliaries promote and extend the interests of the Corporation throughout the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County. They provide volunteer auxiliary services as requested by the Corporation through liaison with the Department of Communications and Community Relations. The auxiliaries also raise funds for the Corporation to be allocated to special gifts in a manner satisfactory to the administration of the Corporation and in harmony with the planning of the community. Quinte Health Care Corporation Auxiliaries supported the Corporation through donations to fund equipment purchases and special program costs.

- (c) Shared Support Services South Eastern Ontario:

The Corporation is a member of a group of six hospitals within the South East LHIN which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, was created to manage the services and provide procurement oversight on the part of the member hospitals. The project has received start-up funding from the Ministry of Finance.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Corporation has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Corporation incurred costs of \$1,407,964 (2020 - \$1,429,272) to 3SO for governance/operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Corporation signed a commitment to the project through to April 2025. The Corporation has provided a limited guarantee to a maximum of \$190,100 of a \$1,000,000 line of credit secured by 3SO, representing the Corporation's proportionate share of 19.01%. As at March 31, 2021, 3SO has drawn \$Nil (2020 - \$Nil) on this line of credit.

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

18. Related party transactions (continued):

(d) Shared Digital Imaging Infrastructure Program:

The Corporation is a member of a group of several hospitals and independent health facilities that together have formed a shared digital diagnostic imaging repository. The shared repository enables timely access to diagnostic imaging information and services with the goal of improved health status and quality outcomes for patients. Specific benefits include contributing to the development of the provincial electronic health record, reducing the number of duplicate diagnostic imaging exams, reducing cost by sharing infrastructure for data storage and enhancing risk management through disaster recovery, data centres with back up and business continuity strategies.

Hospitals Diagnostic Imaging Repository System (HDIRS) is an independent, not-for-profit corporation funded by Ontario Health which manages the development, implementation and operation of the shared system. By working together, HDIRS partners are achieving economies of scale and shared service benefits that could not have been realized independently. HDIRS is governed by a board of directors that includes Ontario-based hospital chief executives and others. HDIRS follows a skills-based approach to creating a highly effective board. With the scope and authority to make impactful decisions, HDIRS' ten voting board members actively represent – on a volunteer basis – the collective interests of member hospitals, independent health facility clients (IHF), LHINs and, ultimately, all patients served.

19. Capital management:

The Corporation's objectives with respect to capital management are to maintain a minimum capital base that allows the Corporation to continue with and execute its overall purpose as outlined in these notes to the financial statements, and to meet its requirements as outlined in the Hospital Service Accountability Agreement with the South East LHIN. The Corporation's Board of Directors perform periodic reviews of the Corporation's capital needs to ensure that they remain consistent with the risk tolerance that is acceptable to the Corporation.

20. Financial risks and concentration of credit risk:

(a) Credit risk:

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2021 is \$715,000 (2020 - \$975,000).

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

(a) Credit risk (continued):

As at March 31, 2021, \$982,519 (2020 - \$1,321,573) of trade accounts receivable were past due, but not impaired.

There has been no significant change to the credit risk exposure from 2020.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. As at March 31, 2021, the Corporation's current assets exceeds its current liabilities by \$2,766,717 (2020 - \$8,387,451 current liabilities exceeds its current assets). The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

The Corporation is exposed to interest rate risk through its interest bearing long-term debt and capital leases payable.

There has been no significant change to the interest rate risk exposure from 2020.

21. Impact of COVID-19:

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

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

QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

22. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.