

Bluewater Health
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the Directors and Members of Bluewater Health

Opinion

We have audited the financial statements of Bluewater Health ("the Hospital"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flow 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 Bluewater Health as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Bluewater Health 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Bluewater Health'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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 Bluewater Health'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 Bluewater Health'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 Bluewater Health 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

Sarnia, Ontario
June 15, 2022

**Bluewater Health
Statement of Financial Position**

March 31	2022	2021
Assets		
Current		
Cash (Note 4)	\$ 19,769,852	\$ 8,055,922
Accounts receivable	6,182,244	4,538,561
Grants receivable (Note 3)	9,268,669	14,799,699
Inventories	1,982,884	1,798,994
Prepaid expenses	2,703,625	2,242,115
	39,907,274	31,435,291
Long-term		
Interest in joint venture (Note 5)	88,179	63,203
Investment in subsidiary company (Note 6)	255,418	312,249
Investments (Note 7)	788,511	790,735
Capital assets (Note 8)	230,902,164	234,499,964
	\$ 271,941,546	\$ 267,101,442

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

**Bluewater Health
Statement of Financial Position**

March 31	2022	2021
Liabilities and Net Assets		
Current		
Bank loans (Note 9)	\$ -	\$ 675,026
Accounts payable and accrued liabilities (Note 11)	29,064,896	29,482,559
Grants payable (Note 3)	12,948,921	6,731,603
Current portion of long-term debt	700,000	-
	42,713,817	36,889,188
Other long-term liabilities	2,744,030	2,727,885
Long-term debt (Note 10)	6,300,000	-
Post-employment benefits (Note 12)	15,178,500	15,226,400
Deferred contributions related to expenditures of future periods (Note 13(a))	3,717,373	2,069,626
Deferred contributions related to capital assets (Note 13(b))	187,458,187	194,852,758
	258,111,907	251,765,857
Contingent liabilities (Note 17)		
Commitments (Note 18)		
Net assets		
Net assets invested in capital assets (Note 14)	36,443,977	38,972,180
Net assets restricted for endowment purposes	789,639	789,639
Net assets internally restricted (Note 15)	1,428,441	1,411,723
Unrestricted net assets (deficiency)	(24,832,418)	(25,837,957)
	13,829,639	15,335,585
	\$ 271,941,546	\$ 267,101,442

On behalf of the Board:


 _____ Director


 _____ Director

Bluewater Health
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	Restricted for Endowment	Restricted for Capital	2022 Total	2021 Total
Balance, beginning of year	\$ 38,972,180	\$ (25,837,957)	\$ 789,639	\$ 1,411,723	\$ 15,335,585	\$ 9,731,547
Excess (deficiency) of revenue over expense	(5,328,876)	3,822,930	-	-	(1,505,946)	5,604,038
Investment in capital assets	2,800,673	(2,800,673)	-	-	-	-
Transfer to restricted	-	(16,718)	-	16,718	-	-
Balance, end of year	\$ 36,443,977	\$ (24,832,418)	\$ 789,639	\$ 1,428,441	\$ 13,829,639	\$ 15,335,585

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

Bluewater Health Statement of Operations

For the year ended March 31	2022	2021
Revenue		
Ministry of Health base funding	\$ 130,297,467	\$ 127,574,915
Ministry of Health other (Note 3)	48,066,746	46,457,223
Cancer Care Ontario	10,006,629	9,402,430
Paymaster	1,445,459	1,319,471
Patient OHIP	14,332,454	12,286,387
Workplace Safety Insurance Board	253,702	276,327
Other provinces	372,309	291,200
Other self pay	2,994,744	3,521,332
Recoveries and other	11,286,110	8,847,331
Parking revenue	1,127,007	536,139
Donations and interest	125,773	210,670
Deferred contributions - capital contributions	2,416,370	1,862,329
Administered programs	6,726,856	5,889,190
Share of income - joint venture	24,976	20,618
Share of income (loss) - subsidiary company	(56,831)	8,196
	<u>229,419,771</u>	<u>218,503,758</u>
Expense		
Salaries and wages	104,743,108	103,958,935
Medical staff remuneration	26,657,829	24,006,425
Employee benefits	29,046,461	27,303,205
Supplies and other	29,938,086	29,284,171
Medical and surgical supplies	9,617,900	8,867,494
Drug expense	16,480,143	14,042,536
Interest	216,493	189,573
Amortization - equipment	5,400,114	4,536,487
Administered programs	6,726,856	5,889,190
	<u>228,826,990</u>	<u>218,078,016</u>
Excess of revenue over expense, hospital operations	592,781	425,742
Working capital funding (Note 3)	-	6,716,600
Operating surplus for Ministry purposes	592,781	7,142,342
Deferred building grants amortization	9,278,416	9,183,125
Building amortization	(11,368,913)	(10,690,309)
Interest on capital financing	(8,230)	(31,120)
Excess (deficiency) of revenue over expense	<u>\$ (1,505,946)</u>	<u>\$ 5,604,038</u>

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

Bluewater Health Statement of Cash Flow

For the year ended March 31	2022	2021
Cash resources provided by (used in)		
Operating activities		
Deficiency of revenue over expense	\$ (1,505,946)	\$ 5,604,038
Items not involving cash		
Amortization	16,699,304	15,239,449
Loss on disposal of capital assets	324,358	32,852
Amortization of deferred contributions related to capital assets	(11,694,786)	(11,045,454)
Share of income - joint venture	(24,976)	(20,618)
Share of loss (income) in subsidiary company	56,831	(8,196)
Decrease in post-employment benefits	(47,900)	(43,000)
	3,806,885	9,759,071
Changes in non-cash operating working capital balances		
Short-term investments	-	246,852
Accounts receivable	(1,643,683)	471,673
Grants receivable	5,531,030	(14,799,699)
Inventories	(183,890)	(706,243)
Prepaid expenses	(461,510)	(116,403)
Accounts payable and accrued liabilities	(417,663)	7,292,828
Grants payable	6,217,318	5,939,673
Other long-term liabilities	16,145	2,075,855
	12,864,632	10,163,607
Investing activities		
Increase (decrease) in investments	2,224	(100,255)
Distribution from joint venture	-	21,478
	2,224	(78,777)
Financing activities		
Proceeds from long-term debt	7,000,000	-
Payments of bank loans	(675,026)	(1,160,909)
Increase (decrease) in deferred contributions related to expenditures of future periods	1,647,747	(731,474)
	7,972,721	(1,892,383)
Capital		
Deferred contributions related to capital assets	4,300,215	4,457,549
Purchase of capital assets	(13,425,862)	(13,473,286)
	(9,125,647)	(9,015,737)
Increase (decrease) in cash resources during the year	11,713,930	(823,290)
Cash, beginning of year	8,055,922	8,879,212
Cash, end of year	\$ 19,769,852	\$ 8,055,922

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

Bluewater Health Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies

Management's Responsibility for the Financial Statements

The financial statements of the Hospital are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. Bluewater Health ("the Hospital") is a hospital in the Province of Ontario. The Hospital provides a full range of health care services.

Nature of Business

Bluewater Health is an accredited community-based health care facility, offering a full range of acute, mental health, emergency, ambulatory, rehabilitation and continuing care services to the residents of Lambton County. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Presentation

The financial statements of the Hospital 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 ("PSAS for Government NPOs"). The Bluewater Health Foundation is a separate entity whose financial information is reported separately from the Hospital.

Management Estimates

The preparation of financial statements in conformity with PSAS 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 revenue and expense during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts, quality based procedures revenue earned and actuarial estimation of post-employment benefits liabilities.

Revenue Recognition

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

Bluewater Health Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 "H-SAA") for fiscal 2022 with the Ministry and Ontario Health that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/Ontario Health. The H-SAA 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.

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 a 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 are recognized as revenue in the year in which the related expenses are incurred. 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 capital assets.

Endowment contributions are recognized as direct increases in net assets.

Revenue from patients is recognized as revenue when the service is provided.

All other revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All other revenues are recorded on an accrual basis.

Inventories

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

Interest in Joint Venture

The Hospital's interest in the joint venture, CBI Sarnia Limited Partnership, has been accounted for using the modified equity method. Under this method, the Hospital takes into earnings and reflects in its investment account its share of the income or loss for the latest fiscal period of the partnership prior to the Hospital's year end.

Bluewater Health Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

**Investment in
Subsidiary Company** The investment in 876756 Ontario Limited is accounted for using the modified equity method. The company was incorporated to hold shares in Lambton ProResp Inc., a company primarily engaged in providing home respiratory care services and products.

Investment Income Investment income on unspent deferred contributions, if restricted for future income use, is deferred as a component of such contributions. All other investment income is recognized as revenue when earned.

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 life of an asset are capitalized. 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 asset 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. Construction in progress is not amortized until construction is substantially complete and the assets are ready to use.

Capital assets are stated at cost and amortized on a straight-line basis over their estimated useful lives, at the rates recommended by the Management Information System Guidelines issued by the Ministry of Health:

Land improvements	- 10 - 25 years
Buildings	- 20 - 40 years
Equipment	- 3 - 20 years

**Post-Employment
Benefits** The Hospital provides post-employment benefits to certain employee groups. These benefits include health, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) 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.

Bluewater Health Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Post-Employment

Benefits (continued)

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

(iii) 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:

Fair value

This category includes cash and equity investments.

They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations.

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

Amortized cost

This category includes accounts receivable, bank loans, accounts payable, long-term debt and other long-term 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.

Donated Materials and Services

Donated services are not recorded in the financial statements. Donated materials 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.

Bluewater Health Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

Loan Guarantees The Hospital has guaranteed various loans for physicians and loans and leases for TransForm. When it is determined that a loss is likely, a provision for loss is recorded. The provision is determined using the best estimates available and taking into consideration the principal amount outstanding, any guaranteed accrued and unpaid interest, any amounts recoverable from the borrower and from the sale of assets pledged as security, and all known circumstances. The provision for loan losses is reviewed by management on an annual basis.

2. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2022		
	Fair Value	Amortized Cost	Total
Cash	\$ 19,769,852	\$ -	\$ 19,769,852
Short-term investments	-	-	-
Accounts receivable	-	6,182,244	6,182,244
Grants receivable	-	9,268,669	9,268,669
Investments	788,511	-	788,511
Current portion of long-term debt	-	700,000	700,000
Accounts payable and accrued liabilities	-	29,064,896	29,064,896
Grants payable	-	12,948,921	12,948,921
Other long-term liabilities	-	2,744,030	2,744,030
Long-term debt	-	6,300,000	6,300,000

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Bluewater Health Notes to Financial Statements

March 31, 2022

2. Financial Instrument Classification (continued)

	2022			
	Level 1	Level 2	Level 3	Total
Cash	\$19,769,852	\$ -	\$ -	\$19,769,852
Investments	-	788,511	-	788,511
Total	\$19,769,852	\$ 788,511	\$ -	\$20,558,363

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2022. There were also no transfers in or out of Level 3.

3. COVID-19 Ministry of Health Funding

The global COVID-19 pandemic has continued to disrupt economic activities and supply chains. Although there has been an increase in day surgeries, x-rays and ultrasound services, the Hospital is still experiencing an increase in costs related to compensation for employees screening for COVID-19, the operation of the assessment centres and increased cost of supplies. The Ministry of Health has been providing funding to the entity in order to cover incremental COVID-19 costs, therefore the financial impact of COVID-19 on the entity has been minimal. As the Ministry is the main source of revenue there has been no impact on the collectability of its accounts receivable. Given the ongoing evolution of the COVID-19 pandemic the global response to curb its spread, the Hospital is not able to estimate the full future effects of the COVID-19 outbreak on its results of operation, financial condition or liquidity at this time.

In addition, in response to the ongoing COVID-19 pandemic, the MOH announced funding programs to assist hospitals with incremental operating and capital costs as a result of COVID-19. Additionally, as part of the board based funding reconciliation, the MOH is allowing hospitals to reallocate surplus funding that otherwise would have been repayable from certain programs to offset budget constraints created by COVID-19.

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve. Management continues to monitor the impacts of COVID-19 on the Hospital's operations, revenue 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 MOH 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.

Bluewater Health Notes to Financial Statements

March 31, 2022

4. Cash

The Hospital's bank accounts are maintained at one chartered bank. The bank accounts earn interest from 1.00% to 1.70%.

The Hospital has a demand operating credit facility that bears interest at the bank's prime rate minus 1.00%. The amount available under the credit facility was \$12,000,000 at March 31, 2022. The amount utilized under the facility at March 31, 2022 was \$Nil (2021 - \$Nil). Included in cash is \$18,536 (2021 - \$20,068) denominated in U.S. currency.

5. Interest in Joint Venture

	2022	2021
CBI Sarnia Limited Partnership		
83 of 443 Class A Limited Partnership units	\$ 88,179	\$ 63,203

The Hospital's proportionate share of the assets, liabilities, revenue and expense of the partnership for the year ended December 31 is as follows:

	2021	2020
Assets	\$ 96,910	\$ 90,761
Liabilities	15,461	34,288
Revenue	219,962	218,187
Expenses	194,986	197,569
Cash distributions	-	21,478

6. Investment in Subsidiary Company

	2022	2021
876756 Ontario Limited - 1 common share	\$ 255,418	\$ 312,249

A financial summary of 876756 Ontario Limited's 50% share of Lambton ProResp Inc. for the year ended March 31, 2022 is as follows:

	2022	2021
Assets	\$ 464,813	\$ 588,874
Liabilities	204,390	271,029
Shareholder equity	260,424	317,845
Net (loss) income	(56,831)	8,196

During the year a management fee of \$240,000 (2021 - \$332,000) was earned from Lambton ProResp Inc., the company whose shares are owned 50% by 876756 Ontario Limited and is recorded in other revenue.

**Bluewater Health
Notes to Financial Statements**

March 31, 2022

7. Investments

	2022	2021
Fair value	\$ 788,511	\$ 790,735

Fair value investments

	2022			2021	
	Cost	Unrealized Gain	Carrying Value	Cost	Carrying Value
Mutual funds	\$ 717,511	\$ 71,000	\$ 788,511	\$ 727,143	\$ 790,735

The fair values of the investments are based on quoted market values.

8. Capital Assets

	2022			2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	
Land	\$ 4,813,646	\$ -	\$ 4,813,646	\$ -	
Land improvements	2,723,254	2,372,134	2,664,918	2,271,969	
Buildings	322,181,486	134,589,881	321,592,703	125,167,030	
Equipment	110,890,492	75,432,391	104,468,212	73,122,921	
Construction in progress	2,687,692	-	1,522,405	-	
	\$ 443,296,570	\$ 212,394,406	\$ 435,061,884	\$ 200,561,920	
Net book value		\$ 230,902,164		\$ 234,499,964	

9. Bank Loans

	2022	2021
Demand loan, 2.38%, repayable in blended monthly payments of principal and interest of \$53,084, matures March 2022	-	628,866
Demand loan, 2.39%, repayable in blended monthly payments of principal and interest of \$46,252, matures April 2021	-	46,160
	\$ -	\$ 675,026

Bluewater Health Notes to Financial Statements

March 31, 2022

10. Long-term Debt

	2022	2021
Bankers acceptance, interest calculated at bank prime rate minus .6% plus stamping fee of .7%	\$ 7,000,000	\$ -
Less current portion	\$ 700,000	\$ -
	\$ 6,300,000	\$ -

During the year, the Hospital entered into a new bankers' acceptances loan with CIBC. The credit limit is \$10,000,000 with \$7,000,000 advanced and \$3,000,000 available to advance. Amounts are to be used to finance fiscal 2021-2022 capital expenditures. This is a bridge loan to be converted subsequent to March 31, 2022 to a term loan amortized over 10 years.

11. Sarnia Lambton Ontario Health Team (SL OHT)

The Hospital has entered into a Transfer Payment Agreement with the Ministry of Health for the Sarnia-Lambton Ontario Health Team Implementation Project. The revenue and expense related to the project are as follows:

	Ministry of Health	Ontario Health	Total
Revenue			
Ministry of Health funding	937,500	60,000	997,500
Expense			
Salaries and benefits	363,441	60,000	423,441
Professional Fees	300,938	-	300,938
Operating	36,445	-	36,445
	700,824	60,000	760,824
Ministry Approved Carry-over	\$ 236,676	\$ -	\$ 236,676

The Sarnia Lambton Ontario Health Team received approval from the Ministry to carry-over \$236,676 (2021 - \$Nil) in unspent Implementation Supports funding. This carry-over has been reported as Accounts payable and accrued liabilities.

Bluewater Health Notes to Financial Statements

March 31, 2022

12. Post-Employment Benefits

The Hospital provides extended health care, dental and life insurance benefits to substantially all employees. As part of a restructuring plan, post-employment benefits were provided to employees accepting retirement packages. The Hospital also pays the premiums for health and dental benefits of Service Employees International Union (SEIU) members that retired after March 4, 2006, from the date of retirement until the employee reaches the age of 65. ONA members retiring after April 1, 2011 pay 50% of health premiums until the employee reaches the age of 65.

Information about the Hospital's accrued benefit obligation relating to its post-employment benefit plan as at March 31, 2022, is as follows.

	2022	2021
Accrued benefit obligation	\$ 11,378,500	\$ 12,085,700
Unamortized actuarial gain	3,800,000	3,140,700
	\$ 15,178,500	\$ 15,226,400

Information about the Hospital's health care, dental and life insurance is as follows:

Accrued benefit liability as at March 31, 2021	\$15,226,400
Current service cost	702,700
Interest cost	372,500
Amortization of past service costs	-
Amortization of actuarial experience gain	(212,400)
Estimated benefits paid	(910,700)
Estimated benefit liability as at March 31, 2022	\$15,178,500

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

Discount rate - accrued benefit obligation	3.02%
Discount rate - benefit cost	3.73%
Dental and hospital benefits escalation	4.98%
Medical benefits cost escalation - prescription drugs	4.53%

The most recent actuarial valuation was performed as at March 31, 2020. Included in employee benefits on the statement of operations is an amount of \$631,428 (2021 - \$752,273) regarding employee future benefits.

Bluewater Health Notes to Financial Statements

March 31, 2022

13. Deferred Contributions

(a) Expenditures of future periods

Deferred contributions related to expenditures of future periods represent unspent donations and unspent Ministry of Health funding for capital assets.

	2022	2021
Balance, beginning of year	\$ 2,069,626	\$ 2,801,100
Amount received	5,960,787	4,160,428
Capital assets purchased	<u>(4,313,040)</u>	<u>(4,891,902)</u>
Balance, end of year	<u>\$ 3,717,373</u>	<u>\$ 2,069,626</u>

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for capital assets that have been acquired. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2022	2021
Balance, beginning of year	\$ 194,852,758	\$ 201,440,663
Contributions received	4,302,852	4,433,922
Adjustments	(2,637)	23,627
Less: amounts amortized to revenue	<u>(11,694,786)</u>	<u>(11,045,454)</u>
Balance, end of year	<u>\$ 187,458,187</u>	<u>\$ 194,852,758</u>

14. Net Assets Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 230,902,164	\$ 234,499,964
Amounts financed by:		
Deferred contributions	(187,458,187)	(194,852,758)
Bank loan	-	(675,026)
Long-term debt	<u>(7,000,000)</u>	<u>-</u>
	<u>\$ 36,443,977</u>	<u>\$ 38,972,180</u>

15. Net Assets Internally Restricted

The Board of Directors has restricted the use of \$1,428,441 (2021 - \$1,411,723) for the purchase of capital assets at the Charlotte Eleanor Englehart Hospital of Bluewater Health.

Bluewater Health Notes to Financial Statements

March 31, 2022

16. Pension Plan

Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 419,000 active and retired members and approximately 625 employers. Each year an independent actuary determines the funding status of HOOPP (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan for accounting purposes was completed at December 31, 2021. The audited financial statements of the Plan at December 31, 2021 disclose a net assets value of \$103,469 million with accrued going concern liabilities relating to pension obligations of \$85,902 million, resulting in a going concern surplus of \$17,567 million.

Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital and employees to HOOPP during the year amounted to \$9,077,442 (2021 - \$8,688,380) and \$7,204,319 (2021 - \$6,895,540) respectively.

17. Contingent Liabilities

The Hospital is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at March 31, 2022 as litigation is still in progress. The Hospital's management is of the opinion that the Hospital has adequate insurance coverage to offset the amount of the majority of claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

Various physicians of the organization are issued loans directly through the bank whereby the Hospital pays the interest and is the guarantor. The amount of the loans guaranteed is \$3,150,000 (2021 - \$4,027,000).

18. Commitments

The Hospital is proceeding with a redevelopment plan for the Charlotte Eleanor Englehart hospital site. A commitment was made by the Ministry of Health in that the Ministry will fund \$7,478,730 of the total estimated project costs of \$8,134,759. Funding will be tied to the Ministry approval at multiple phases of the project as per the Ministry process. As at March 31, 2022, the Hospital had received \$1,121,820 (2021 - \$1,121,820) from the Ministry for the project which is included in deferred contributions related to expenditures of future periods. As at March 31, 2022, the Hospital had spent \$967,176 (2021 - \$666,048) which is included in construction in progress.

Bluewater Health Notes to Financial Statements

March 31, 2022

18. Commitments (continued)

The Hospital has been approved for the development of the Community Hub of Addictions and Mental Health Services. A commitment was made by the Ministry of Health in that the Ministry will fund \$12,231,152 of the total estimated project costs of \$15,629,457. Funding will be tied to the approval at multiple milestones of the project as per the Ministry process. As at March 31, 2022, the Hospital has received \$1,834,680 (2021 - \$200,000) from the Ministry for the project which is included in deferred contributions related to expenditures of future periods. As at March 31, 2022, the Hospital has spent \$268,654 (2021 - \$254,696).

19. Economic Interest

The Hospital has an economic interest in the Bluewater Health Foundation (the Foundation). The objectives of the Foundation are the enhancement and improvement of services and patient care provided by Bluewater Health and the funding of the capital commitments of Bluewater Health.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (i) an amount of \$1,124,790 (2021 - \$254,967) was receivable from the Foundation.
- (ii) the Foundation receives the following materials and services from the Hospital at no cost to the Foundation: office space and cleaning services; computer support; and telephone service.
- (iii) the Hospital received donations of \$2,184,441 (2021 - \$345,100) from the Foundation, of which \$2,078,969 (2021 - \$262,999) has been recorded in deferred contributions and \$105,472 (2021 - \$82,101) in donation revenue.
- (iv) the Foundation purchased Ryan's House for the Hospital's use. The Foundation is leasing the property to the Hospital for \$1 starting January 24, 2022.

The Hospital also has an economic interest in the Charlotte Eleanor Englehart Hospital Foundation. The objectives of the Charlotte Eleanor Englehart Hospital Foundation are the improvement and enhancement of services and patient care provided by Charlotte Eleanor Englehart Hospital of Bluewater Health. An amount of \$224,127 (2021 - \$Nil) was receivable from the Charlotte Eleanor Englehart Hospital Foundation at March 31, 2022.

All transactions between the Hospital and the Foundations are recorded at fair value.

Bluewater Health Notes to Financial Statements

March 31, 2022

20. Shared Service Organizations

TransForm Shared Service Organization

TransForm has an information management/IT division as well as a supply chain management division. TransForm reports to an independent board which is made up of voting members from the five participating hospitals as well as four independent board directors from within the Erie St. Clair geographic area. Annual operating expenses for the two divisions of TransForm are allocated between the hospitals based on metrics that evaluate the amount of information management/IT and supply chain management used by each hospital.

Bluewater Health contributes towards approved capital improvements and other costs incurred by TransForm.

TransForm currently carries two operating lines of credit that total \$1,300,000 through a chartered bank. Bluewater Health guarantees a portion of these operating lines of credit. The balance outstanding on these lines of credit as at March 31, 2022 was \$Nil (2021 - \$Nil).

At March 31, 2022 an amount of \$193,853 (2021 - \$206,107) was payable to TransForm.

Bluewater Health has also issued lease guarantees. The outstanding balances of the leases was \$1,720,700 as at March 31, 2022 (2021 - \$2,574,936) of which the Hospital's portion was \$4,446 (2021 - \$16,570).

(a) Information Management/Information Technology division

TransForm provides information management services to all five hospitals within the Erie St. Clair geographical region which includes Bluewater Health. This service is provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business. TransForm provides information management services to other organizations, which is based on a fee by project basis.

During the year, Bluewater Health incurred expenses to TransForm relating to information management services for loan/lease costs, infrastructure and project costs and monthly operating expenses. The total costs were \$1,536,004 (2021 - \$1,622,902) and are included in the statement of operations or reflected in the statement of financial position.

(b) Supply Chain Management division

TransForm provides procurement, logistics and contract management services to all five hospitals within the Erie St. Clair geographical region which includes Bluewater Health. This service is provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business.

During the year, Bluewater Health paid \$935,355 (2021 - \$911,898) to TransForm for supply chain management services that are included in expenses on the statement of operations.

Bluewater Health Notes to Financial Statements

March 31, 2022

21. Diabetes Program

The Hospital receives funding from the Ministry of Health to run a diabetes program. The revenue and expenses related to the program are as follows:

	Adult Diabetes	Pediatric Diabetes	Total
Revenue			
Ministry of Health funding	\$ 277,237	\$ 64,323	\$ 341,560
Expense			
Salaries and benefits	276,630	55,215	331,845
Operating	33,344	9,595	42,939
	<u>309,974</u>	<u>64,810</u>	<u>374,784</u>
Deficiency of revenue over expense	\$ (32,737)	\$ (487)	\$ (33,224)

22. Financial Instrument Risk Management

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 to its cash, debt holdings in its investment portfolio and accounts receivable. The Hospital holds its cash accounts with a federally regulated chartered bank.

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the MOH in relation to funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits and bond quality limits.

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.

Bluewater Health Notes to Financial Statements

March 31, 2022

22. Financial Instrument Risk Management (continued)

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. The amounts outstanding at year end were as follows:

	Total	<i>Past Due</i>			
		Current	31-60 days	61-90days	91-120 days
OHIP	\$ 1,418,652	\$ 1,418,652	\$ -	\$ -	\$ -
Ministry of Health	9,362,974	9,362,974	-	-	-
Cancer Care	410,000	410,000	-	-	-
Patient services	919,193	424,893	308,489	56,551	129,260
Bluewater Health Foundation	1,124,790	1,124,790	-	-	-
Other	2,215,304	1,561,757	581,314	72,233	-
Total receivables	\$15,450,913	\$14,303,066	\$ 889,803	\$ 128,784	\$ 129,260

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.

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. The following table sets out the contractual maturities (representing undiscounted contractual cash-flow of financial liabilities):

	2022			
	within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable and accrued liabilities	19,043,231	3,577,319	6,444,346	-
Grants payable	501,591	36,631	12,410,698	-
Other non-current liabilities	-	-	2,744,030	-
Long-term debt	350,000	350,000	2,800,000	3,500,000
	\$19,544,822	\$ 3,613,950	\$21,599,074	\$ 3,500,000

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.

23. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.