

Financial Statements of

**COMMUNITY & PRIMARY
HEALTH CARE
LANARK, LEEDS & GRENVILLE**

And Independent Auditor's Report thereon

Year ended March 31, 2022

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Table of Contents

Year ended March 31, 2022

	<u>Page</u>
Management's Responsibility for the Financial Reporting	
Independent Auditors' Report	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5

Management's Responsibility for the Financial Reporting

The accompanying financial statements of Community & Primary Health Care Lanark, Leeds & Grenville are the responsibility of the Organization's management and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards for not-for-profit organizations. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Organization's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Organization. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements

Jennifer Eastwood, Board Treasurer

Tina Montgomery, Executive Director



KPMG LLP
22 Wilson Street, West
Perth ON K7H 2M9
Canada
Tel 613-267-6580
Fax 613-267-7563

INDEPENDENT AUDITORS' REPORT

To the Directors of Community & Primary Health Care Lanark, Leeds & Grenville

Qualified Opinion

We have audited the financial statements of Community & Primary Health Care Lanark, Leeds & Grenville (the “Entity”), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, except for the effects of the matters described in the “***Basis for Qualified Opinion***” paragraph, the financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising and donation revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we, and the predecessor auditor, were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2022 and March 31, 2021
- the fundraising and donations revenues and excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2022 and March 31, 2021
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2022 and March 31, 2021
- the excess of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2022 and March 31, 2021.



The predecessor auditor's opinion on the financial statements for the year ended March 31, 2021 is qualified accordingly because of the possible effects of this limitation in scope.

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

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

Other Matter – Comparative Information

The financial statements as at and for the year ended March 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on June 23, 2021 due to the matter described in the "**Basis for Qualified Opinion**" section.

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 accounting standards for not-for-profit organizations, 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.



Page 3

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 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants
Perth, Canada

June 20, 2022

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

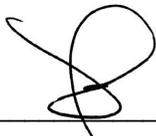
Statement of Financial Position

March 31, 2022, with comparative information for 2021

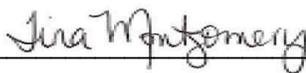
	2022	2021
Assets		
Current assets:		
Cash	\$ 1,303,948	\$ 892,309
Accounts receivable	239,588	312,210
Prepaid expenses	27,445	25,302
	<u>1,570,981</u>	<u>1,229,821</u>
Capital assets (note 3)	8,193,253	8,506,497
	<u>\$ 9,764,234</u>	<u>\$ 9,736,318</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 372,545	\$ 438,593
Government remittances payable	38,716	86,513
Deferred revenue (note 4)	9,534	-
Current portion of fixed term loan (note 5)	87,964	82,281
Current portion of lease contribution (note 6(a))	246,467	246,467
	<u>755,226</u>	<u>853,854</u>
Fixed term loan (note 5)	1,231,536	1,322,317
Deferred lease contributions (note 6(a))	1,335,032	1,581,499
Deferred capital contributions (note 6(b))	3,392,509	3,514,042
Net assets:		
Unrestricted	(434,849)	(1,127,787)
Viola Haggart Endowment Fund	4,536	4,536
Invested in capital assets (note 11)	3,480,244	3,587,857
	<u>3,049,931</u>	<u>2,464,606</u>
Contingent liabilities (note 10)		
	<u>\$ 9,764,234</u>	<u>\$ 9,736,318</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Jennifer Eastwood, Treasurer



Tina Montgomery, Executive Director

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Budget (unaudited)	2022	2021
Revenue:			
Government contributions (note 9)	\$ 2,523,079	\$ 2,549,063	\$ 2,493,943
Client fees	1,953,556	1,988,729	1,786,432
Amortization of deferred lease contribution	246,467	246,467	246,467
Amortization of deferred capital contributions	101,196	121,533	128,459
Fundraising and donations	141,000	216,679	72,163
Other income	41,027	55,545	37,310
Interest income	–	3,318	2,268
	<u>5,006,325</u>	<u>5,181,334</u>	<u>4,767,042</u>
Expenses:			
Wages and benefits	2,538,877	2,551,974	2,369,517
Supplies and services	1,038,091	996,356	1,024,186
Building and grounds	425,493	517,269	408,148
Transportation	255,469	219,123	175,035
Equipment expenses	199,022	159,407	314,081
Interest, fees and other	73,860	58,346	57,296
Postage and telephone	42,249	30,172	33,789
Advertising	33,514	23,461	19,234
Professional fees	12,249	17,515	17,766
Insurance	14,075	17,391	15,992
Staff training	9,457	4,995	4,853
	<u>4,642,356</u>	<u>4,596,009</u>	<u>4,439,897</u>
Excess of revenue over expenses	\$ 363,969	\$ 585,325	\$ 327,145

See accompanying notes to financial statements.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Viola Haggart Endowment Fund	Invested in capital assets (note 11)	Unrestricted	2022 Total	2021 Total
Balance, beginning of year (deficiency)	\$ 4,536	\$ 3,587,857	\$ (1,127,787)	\$ 2,464,606	\$ 2,137,461
Excess of revenue over expenses (note 11(b))	–	(207,196)	792,521	585,325	327,145
Net change in investment in capital assets (note 11(b))	–	99,583	(99,583)	–	–
Balance, end of year	\$ 4,536	\$ 3,480,244	\$ (434,849)	\$ 3,049,931	\$ 2,464,606

See accompanying notes to financial statements.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 585,325	\$ 327,145
Items not involving cash:		
Amortization of deferred capital contributions	(121,533)	(128,459)
Amortization of deferred lease contributions	(246,467)	(246,467)
Amortization of capital assets	328,729	352,349
Change in non-cash operating working capital:		
Accounts receivable	72,622	(14,165)
Prepaid expenses	(2,143)	(3,185)
Accounts payable and accrued liabilities	(66,048)	73,801
Government remittances payable	(47,797)	47,377
Deferred revenue	9,534	(74)
	512,222	408,322
Financing activities:		
Repayment of fixed term loan	(85,098)	(82,427)
Capital activities:		
Purchase of capital assets	(15,485)	(41,875)
Increase in cash	411,639	284,020
Cash, beginning of year	892,309	608,289
Cash, end of year	\$ 1,303,948	\$ 892,309

See accompanying notes to financial statements.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements

Year ended March 31, 2022

1. Purpose of the Organization:

Community & Primary Health Care Lanark, Leeds & Grenville ("CPHC" or the "Organization") is a local non-for-profit health organization that provides universally accessible and comprehensive primary health care and community support services to the people of Lanark, Leeds & Grenville and Kingston (Lifeline).

The Organization is incorporated without share capital under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Significant aspects of the accounting policies adopted by the Organization are as follows:

(a) Basis of presentation:

The Organization follows the deferral method of accounting for contributions. Grants and subsidies are recognized as revenue in the year in which the related expenses are incurred. Grants and subsidies received in advance are deferred for financial statement purposes. 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.

(b) Revenue recognition:

Contributions from the Ministry of Health of Ontario are recognized as revenue in the year of receipt except for the following:

- (i) contributions relating to capital assets are credited to deferred capital contributions and recognized as revenue on the same basis as amortization of the related asset is charged against operations;
- (ii) unexpended funds at the end of the year from contributions by the Ministry of Health of Ontario to the General Fund reduce government contribution revenue and are reported as amounts payable unless approval has been received to use excess funds for specific expenses. Any overage in expenses may not be reimbursed by the Ministry of Health of Ontario in the future.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(c) Deferred revenues:

The Organization receives certain amounts for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(d) Capital assets:

Capital assets purchased by the Organization are recorded at cost and those donated to the Organization are recorded at their fair value at the date of acquisition when fair market value can be reasonably estimated. Capital assets are amortized on a straight-line basis with the following estimated rates:

Asset	Rate
Buildings	30 - 40 years
Furniture and equipment	5 - 15 years
Computer equipment	5 - 7 years

Leasehold improvements are amortized on a straight line basis over the term of the lease.

When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Capital assets have been reviewed for full or partial impairment. Management has determined there are none.

(e) Expense recognition:

Expenses are recognized according to the accrual basis of accounting in that the expenses are recorded as incurred as a result of receipt of goods and services and the creation of a legal obligation to pay.

(f) Donated services:

No amounts are reflected in the statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time to the Organization and its fundraising activities.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measure at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight line method.

Financial assets are assessed for indicators of impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(h) 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. Actual results could differ from those estimates.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(i) Pension plan:

The Organization participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2021 disclosed actuarial assets of \$114,414 million (2020 - \$103,469 million) with accrued pension liabilities of \$85,905 million (2020 - \$79,852 million), resulting in a surplus of \$28,512 million (2020 - \$24,131 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2021 based on the assumptions and methods adopted for the valuation.

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,000,142	\$ –	\$ 1,000,142	\$ 1,000,142
Buildings	8,986,964	1,914,136	7,072,828	7,297,503
Furniture and equipment	397,467	316,116	81,351	92,570
Computer equipment	1,002,176	963,244	38,932	116,282
	<u>\$11,386,749</u>	<u>\$ 3,193,496</u>	<u>\$ 8,193,253</u>	<u>\$ 8,506,497</u>

Cost and accumulated amortization at March 31, 2021 amounted to \$11,371,714 and \$2,865,217, respectively.

Management has reviewed for impairment as of March 31, 2022 and 2021 and determined there is none.

4. Deferred revenue:

	2022	2021
Balance, beginning of year	\$ –	\$ –
Add: amounts received during the year for gift cards not yet redeemed	9,534	–
Balance, end of year	<u>\$ 9,534</u>	<u>\$ –</u>

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Fixed term loan:

	2022	2021
Fixed term loan, (3.33%), repayable in blended monthly payments of \$10,881, due August 2024	\$ 1,319,500	\$ 1,404,598
Less: current portion	87,964	82,281
Balance, end of year	\$ 1,231,536	\$ 1,322,317

Repayment of the fixed term loan is as follows:

2023	\$ 87,964
2024	90,938
2025	1,140,598
	\$ 1,319,500

6. Deferred contributions:

(a) Deferred lease contribution:

This contribution represents funds received in advance relating to a 15 year lease agreement. If the lease is terminated before its expiry date of December 31, 2026, the unearned funds are required to be returned to the Ministry of Health of Ontario. This contribution is recognized as revenue over the life the lease.

	2022	2021
Balance, beginning of year	\$ 1,827,966	\$ 2,074,433
Less: amounts amortized to revenue	(246,467)	(246,467)
Balance, end of year	\$ 1,581,499	\$ 1,827,966

Shown as:

Current portion of deferred lease contributions	\$ 246,467	\$ 246,467
Long-term portion of deferred lease contributions	1,335,032	1,581,499
	\$ 1,581,499	\$ 1,827,966

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Deferred contributions (continued):

(b) Deferred capital contributions:

These contributions represent funds received for capital asset purchases. These contributions are being deferred and recognized as revenue on the same basis as the assets are amortized.

	2022	2021
Balance, beginning of year	\$ 3,514,042	\$ 3,642,501
Less: amounts amortized to revenue	(121,533)	(128,459)
Balance, end of year	\$ 3,392,509	\$ 3,514,042

7. Pension plan:

Substantially all of the employees of the Organization 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. Contributions to the plan made during the year by the Organization on behalf of its employees amounted to \$126,099 (2021 - \$117,156) and are included in the Statement of Operations.

Pension expense is based on 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.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Risk management:

In the normal course of operations, the Organization is exposed to a variety of financial risks which are actively managed by the Organization.

The Organization's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Organization's exposure to and management of risk has not changed from March 31, 2021.

(a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and cash.

The Organization, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2022 is the carrying value of these assets.

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 income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

There have been no significant changes to the credit risk exposure from March 31, 2021.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

There have been no significant changes to the liquidity risk exposure from March 31, 2021.

(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 Organization to cash flow interest rate risk. The Organization mitigates this risk through its fixed rate loan.

There has been no change to the interest rate risk exposure from 2021.

9. Economic dependence:

The Organization is dependent on the Ministry of Health of Ontario for a significant portion of its revenue. These funds are provided under a service agreement on an annual basis and the Organization's ability to continue as a going concern is dependent upon the renewal of these contacts.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Contingent liabilities:

- (a) The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2022, management maintains that the Organization has valid defences and appropriate insurance coverage in place in the event that claims against the Organization are successful.
- (b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). 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, 2022.

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 receivables from HIROC as of March 31, 2022.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Invested in capital assets

(a) Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 8,193,253	\$ 8,506,497
Amounts financed by:		
Deferred capital contributions	(3,392,509)	(3,514,042)
Fixed term loan	(1,320,500)	(1,404,598)
	<u>\$ 3,480,244</u>	<u>\$ 3,587,857</u>

(b) Change in net assets investment in capital assets is calculated as follows:

	2022	2021
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 121,533	\$ 128,459
Amortization of capital assets	(328,729)	(352,349)
	<u>\$ (207,196)</u>	<u>\$ (223,890)</u>

	2022	2021
Net change in investment in capital assets:		
Purchase of capital assets	\$ 15,485	\$ 41,875
Repayment of fixed term loan	84,098	82,427
	<u>\$ 99,583</u>	<u>\$ 124,302</u>

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Notes to Financial Statements (continued)

Year ended March 31, 2022

12. Impact of COVID-19:

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Organization.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Organization in future periods. The Organization continues to closely monitor and assess the impact on its operations. It is management's assessment that the Organization will have sufficient resources to mitigate the potential losses in 2023 as a result of COVID-19.

13. Comparative information:

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