Financial Statements of

# NORTH WELLINGTON HEALTH CARE CORPORATION

And Independent Auditor's Report thereon

Year ended March 31, 2023

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of North Wellington Health Care Corporation

***Opinion***

We have audited the financial statements of North Wellington Health Care Corporation (the Hospital), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses 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 Hospital as at March 31, 2023, and its results of operations, its, changes in net assets, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Hospital 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 Hospital'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 the Hospital'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 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.

- 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 Hospital'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 Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 27, 2023

# North Wellington Health Care Corporation
## Statement of Financial Position
### As at March 31, 2023, with comparative information for 2022

| | **2023** | 2022 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash (Note 2) | **$ 4,131,661** | $ 4,896,550 |
| Investments (Note 3) | **2,750,150** | 1,381,000 |
| Accounts receivable, net | **575,900** | 1,031,432 |
| Due from Ministry of Health and other funding agencies | **1,677,589** | 1,597,215 |
| Due from Foundations (Note 11) | **1,048,854** | 2,219,498 |
| Inventory | **79,463** | 75,632 |
| Prepaid expenses | **332,879** | 348,091 |
| **Total Current Assets** | **10,596,496** | 11,549,418 |
| Capital assets (Note 4) | **39,479,330** | 40,587,115 |
| **Total Assets** | **$50,075,826** | $52,136,533 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 6,408,511** | $ 7,061,512 |
| Due to Ministry of Health and other funding agencies | **411,182** | 107,391 |
| Deferred revenue | **125,564** | 527,217 |
| Current portion of long-term debt (Note 5) | **50,000** | 50,000 |
| **Total Current Liabilities** | **6,995,257** | 7,746,120 |
| Long-term debt (Note 5) | **1,125,000** | 1,175,000 |
| Deferred capital contributions (Note 6) | **36,485,991** | 37,595,775 |
| Post-employment benefits (Note 7) | **725,500** | 707,500 |
| Asset retirement obligation (Note 8) | **104,410** | - |
| **Total Liabilities** | **45,436,158** | 47,224,395 |
| **Net Assets** | | |
| Investment in capital assets (Note 10) | **2,724,927** | 3,775,936 |
| Internally restricted for capital assets replacement (Note 9) | **591,059** | 591,059 |
| Unrestricted | **1,573,532** | 664,143 |
| Accumulated remeasurement losses | **(249,850)** | (119,000) |
| **Total Net Assets** | **4,639,668** | 4,912,138 |
| Contingent liabilities (Note 13) | | |
| Commitments (Note 14) | | |
| **Total Liabilities and Net Assets** | **$50,075,826** | $52,136,533 |

On behalf of the Board:

Director

Carrie Hurst

Director

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

# North Wellington Health Care Corporation
## Statement of Operations
### For the year ended March 31, 2023, with comparative information for 2022

| | **2023** | 2022 |
|---|---|---|
| **Revenue** | | |
| Ministry of Health | | |
| Global funding | **$ 16,657,586** | $ 16,295,003 |
| One-time and program funding | **3,285,427** | 4,103,374 |
| Physician emergency & on-call | **4,918,008** | 3,736,314 |
| Ontario Health Insurance Plan fees | **1,080,011** | 993,952 |
| Municipal tax funding | **6,300** | 6,300 |
| Claire Stewart Medical Clinic revenue | **143,091** | 126,268 |
| Minto Rural Health Centre revenue | **118,969** | 132,555 |
| Patient revenue from other sources | **487,652** | 457,906 |
| Other sundry recoveries | **1,072,072** | 1,079,289 |
| Amortization of deferred capital contributions – equipment | **1,443,444** | 1,229,846 |
| | **29,212,560** | 28,160,807 |
| **Expenses** | | |
| Salaries & benefits | **15,636,188** | 15,836,086 |
| Physician emergency & on-call | **4,918,039** | 3,736,314 |
| Medical staff fees & remuneration | **535,213** | 512,709 |
| Medical & surgical supplies | **562,701** | 531,924 |
| Drugs & medical gases | **1,162,367** | 479,939 |
| Operating supplies & expenses | **4,614,970** | 5,108,498 |
| Claire Stewart Medical Clinic expense | **81,879** | 45,386 |
| Minto Rural Health Centre expense | **58,208** | 54,026 |
| Amortization – equipment | **1,468,367** | 1,275,248 |
| | **29,037,932** | 27,580,130 |
| **Excess of Revenue Over Expenses Before Building Amortization and Interest** | **174,628** | 580,677 |
| **Building Amortization and Interest – revenue (expense)** | | |
| Amortization of deferred capital contributions – buildings | **1,266,402** | 917,888 |
| Amortization of buildings | **(1,443,561)** | (1,177,309) |
| Long-term debt interest expense | **(34,679)** | (36,119) |
| | **(211,838)** | (295,540) |
| **Excess (Deficiency) of Revenue Over Expenses** | **$ (37,210)** | $ 285,137 |

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

# North Wellington Health Care Corporation
## Statement of Changes in Net Assets
### For the year ended March 31, 2023, with comparative information for 2022

| | Internally Restricted for Capital Asset Replacement | Invested in Capital Assets | Unrestricted | 2023 Total | 2022 Total |
|---|---|---|---|---|---|
| Balance, Beginning of Year, as previously reported | **$ 591,059** | **$ 3,775,936** | **$ 664,143** | **$ 5,031,138** | $ 4,746,001 |
| Change in accounting policy (Note 17) | - | **(104,410)** | **-** | **(104,410)** | - |
| Balance, Beginning of Year, as restated | - | **3,671,526** | **664,143** | **4,926,728** | 4,746,001 |
| Excess (deficiency) of revenue over expenses | - | **(209,946)** | **172,736** | **(37,210)** | 285,137 |
| Investment in capital assets | - | **(736,653)** | **736,653** | **-** | - |
| Balance, End of Year | **$ 591,059** | **$ 2,724,927** | **$ 1,573,532** | **$ 4,889,518** | $ 5,031,138 |

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

# North Wellington Health Care Corporation
## Statement of Remeasurement Gains and Losses
### For the year ended March 31, 2023, with comparative information for 2022

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Accumulated remeasurement losses, beginning of the year | **$** | **(119,000)** | $ | - |
| Unrealized losses on investments | | **(130,850)** | | (119,000) |
| Accumulated remeasurement losses, end of year | **$** | **(249,850)** | $ | (119,000) |

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

# North Wellington Health Care Corporation
## Statement of Cash Flow
### For the year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| Cash Provided by (used in) | | |
| **Operating Activities** | | |
| Excess (deficiency) of revenue over expenses | **$ (37,210)** | $ 285,137 |
| Post-employment benefits paid | **(78,800)** | (83,900) |
| Items not involving cash: | | |
| Amortization of capital assets | **2,911,928** | 2,452,836 |
| Amortization of deferred capital contributions | **(2,709,846)** | (2,148,013) |
| Loss (gain) on disposal of capital assets | **7,864** | (1,375) |
| Post-employment benefits expense | **96,800** | 101,500 |
| | **190,736** | 606,185 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable – operating | **296,911** | 316,674 |
| Inventory | **(3,831)** | 26,029 |
| Prepaid expenses | **15,212** | 51,281 |
| Accounts payable and accrued liabilities – operating | **(98,917)** | 1,082,833 |
| Deferred revenue | **(401,653)** | (655,599) |
| | **(1,542)** | 1,427,403 |
| **Financing Activities** | | |
| Repayment of long-term debt | **(50,000)** | (50,000) |
| | **(50,000)** | (50,000) |
| **Investing Activities** | | |
| Purchase of investments | **(1,500,000)** | (1,500,000) |
| | **(1,500,000)** | (1,500,000) |
| **Capital activities** | | |
| Additions to capital assets | **(1,812,007)** | (3,925,011) |
| Additions to deferred donations and grants | **1,600,062** | 6,455,120 |
| Change in accounts receivable – capital | **1,248,891** | (2,080,496) |
| Change in accounts payable and accrued liabilities – capital | **(250,293)** | (3,515,287) |
| | **786,653** | (3,065,674) |
| **Decrease in cash** | **(764,889)** | (3,188,271) |
| **Cash,** beginning of year | **4,896,550** | 8,084,821 |
| **Cash,** end of year | **$ 4,131,661** | $ 4,896,550 |

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

North Wellington Health Care Corporation (the Hospital) was formed on the September 21, 2001 when Louise Marshall Hospital and Palmerston and District Hospital amalgamated and is incorporated under the laws of Ontario without share capital. The Hospital is principally involved in providing health services to the Towns of Mount Forest and Palmerston and surrounding areas. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

**1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

a) Basis of presentation:

These financial statements do not include the activities of the following non-controlled affiliated entities:

(i) Mount Forest Louise Marshall Hospital Foundation (MFLMH Foundation):

The MFLMH Foundation raises funds to support capital projects and equipment needs of the Hospital.

(ii) Palmerston and District Hospital Foundation (PDH Foundation):

The PDH Foundation raises funds to support capital projects and equipment needs of the Hospital.

The financial information of these entities is reported separately from the Hospital.

b) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (MOH or the Ministry) and the Ontario Health West (OHW).

**1. Significant accounting policies (continued):**

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the H-SAA) for fiscal 2023 with the Ministry and OHW that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/OHW. 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.

If the Hospital does not meet its performance standards or obligations, it is required to follow a remediation process negotiated with the MOH/OHW. Should the Hospital fail to honor the terms of the remediation process the MOH/OHW has the right to adjust funding received by the Hospital.

The MOH/OHW is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH/OHW funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

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

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

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

Ancillary revenue is recognized when the goods are sold and services provided.

c) Inventory:

Inventory is valued at the lower of average cost and replacement value. Provisions are made for any obsolete or unusable inventory on hand.

**1. Significant accounting policies (continued):**

d) 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 for use. Capital assets are capitalized on acquisition and amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Land improvements | 5 to 25 years |
| Buildings which includes service equipment | 10 to 40 years |
| Equipment | 3 to 15 years |
| Software | 3 to 10 years |

e) Employee future benefits:

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

(i) Defined benefit plan:

The costs of post-employment benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustment 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. The average remaining service period of the active employees covered by the plan is 14 years (2022 - 14 years). Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

**1. Significant accounting policies (continued):**

e) Employee future benefits (continued):

(ii) Multi-employer plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan (HOOPP) for which the Hospital does not have the necessary information to apply defined benefit plan accounting. The costs of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs 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, which are amortized using the straight-line method.

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 in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term payables are recorded at cost.

**1. Significant accounting policies (continued):**

f) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As at March 31, 2023, all financial assets of the Hospital are held as cash and investments are categorized as level 1.

g) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a capital assets;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

A liability has been recognized based on estimated future expenses to retirement capital assets. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation occurs.

h) Measurement uncertainty:

The preparation of 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of accrued benefit liability, capital assets and accounts payable and accrued liabilities, asset retirement obligations and valuation allowances for receivables. Actual results could differ from those estimates.

Since this data is not submitted until after the completion of the financial statements, the amount of the MOH/OHW funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The amount of revenue recognized from the MOH and the OHW requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by OHW for the year ended March 31, 2023. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, it is required to follow a remediation process negotiated with the MOH/OHW. Should the Hospital fail to honor the terms of the remediation process the MOH/OHW has the right to adjust funding received by the Hospital.

**2. Cash and Operating Line of Credit:**

The Hospital has access to an unsecured operating line of $3,000,000, with interest at prime minus 0.50% per annum. At March 31, 2023, $3,000,000 is available under this facility.

## 3. Investments:

| | **2023** | 2022 |
|---|---|---|
| Principal Protected Growth Note<br>Matures February 9, 2027 | **$ 428,410** | $ 459,400 |
| Principal Protected Growth Note – Annual Coupon Payment<br>*(Based on performance, range is 0.5%-6.5%)*<br>Matures February 9, 2028 | **833,500** | 921,600 |
| Extendable Senior Note<br>Matures November 22, 2023 | **740,520** | - |
| Collard Senior Notes<br>Matures November 22, 2027 | **747,720** | - |
| | **$ 2,750,150** | $ 1,381,000 |

## 4. Capital assets:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Land | **$ 452,889** | **$ -** | $ 452,889 | $ - |
| Land improvements | **229,246** | **119,989** | 229,246 | 98,818 |
| Buildings and building service equipment | **49,283,498** | **17,361,099** | 49,221,089 | 15,939,009 |
| Equipment | **15,004,409** | **12,896,677** | 14,880,432 | 11,960,375 |
| Software | **4,724,036** | **1,670,642** | 3,868,335 | 1,533,767 |
| | **69,694,078** | **32,048,407** | 68,651,991 | 29,531,969 |
| Construction in progress | **1,833,659** | **-** | 1,467,093 | - |
| | **$ 71,527,737** | **$ 32,048,407** | $ 70,119,084 | $ 29,531,969 |
| Net Book Value | | **$ 39,479,330** | | $ 40,587,115 |

## 5. Long-term debt:

| | 2023 | 2022 |
|---|---|---|
| 2.88% debenture, payable to The Corporation of the Town of Minto, unsecured, semi-annual payments of principal plus interest of $25,000, maturing on August 2, 2046. | **$ 1,175,000** | $ 1,225,000 |
| Less amounts due within one year | **(50,000)** | (50,000) |
| **Long-term debt** | **$ 1,125,000** | $ 1,175,000 |

Included in the Statement of Operations is interest on long-term debt of $34,679 (2022 - $36,119).

## 6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and the unspent amount of externally restricted donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 37,595,775** | $ 33,288,668 |
| Capital contributions received | **1,600,062** | 6,455,120 |
| Amortization of deferred capital contributions | **(2,709,846)** | (2,148,013) |
| **Balance, end of year** | **$ 36,485,991** | $ 37,595,775 |

**7. Post-employment benefits:**

a) Pension plan:

Substantially all of the full-time employees and some of the part-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Contributions to the plan by the Hospital during the year amounted to $852,262 (2022 - $898,000) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2022, the pension plan reported a surplus of $10.95 billion (2022 - $28.51 billion).

b) Retirement benefits:

The Hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefits liability was determined by an actuarial valuation study. An actuarial valuation of these benefits is completed on a triennial basis. The latest actuarial valuation was completed for March 31, 2021, extrapolated to March 31, 2023.

The Hospital's liability at March 31st for this plan is as follows:

| | **2023** | 2022 |
|---|---|---|
| Accrued benefit obligation | **$ 686,100** | $ 757,300 |
| Unamortized net actuarial gains (losses) | **39,400** | (49,800) |
| Post-employment benefits liability | **$ 725,500** | $ 707,500 |

**7. Post-employment benefits (continued):**

b) Retirement benefits (continued):

The significant actuarial assumptions adopted in the measuring of the Hospital's accrued benefit obligations are as follows:

| | **2023** | 2022 |
|---|---|---|
| Accrued benefit obligation (at end of year): | | |
| Discount rate | **4.50%** | 3.70% |
| Dental cost increases | **3.00%** | 3.00% |
| Medical cost increases, and decrease proportionately thereafter to an ultimate rate of 4.50% | **5.57%** | 5.57% |
| Benefit costs (for fiscal year): | | |
| Discount rate | **3.70%** | 3.00% |

Other information about the Hospital's plan is as follows:

| | **2023** | 2022 |
|---|---|---|
| Current year benefit cost | **$ 39,600** | $ 42,800 |
| Interest on accrued benefit obligation | **28,000** | 25,100 |
| Amortized actuarial losses | **29,200** | 33,600 |
| Expense for the year | **$ 96,800** | $ 101,500 |
| Benefits paid during the year | **$ 78,800** | $ 83,900 |

## 8. Asset retirement obligations:

The Hospital owns several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it.

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year, as restated (Note 17) | **$ 104,410** | $ - |
| Less: obligations settled during the year | **-** | - |
| Less: Current portion reported in accounts payable and accrued liabilities | **-** | - |
| **Balance, end of year** | **$ 104,410** | $ - |

## 9. Internally restricted net assets:

Internally restricted net assets represent amounts set aside for future capital and other special projects.

As of March 31, 2023, the Hospital's Board of Directors (Board) has internally restricted $591,059 (2022 - $591,059) of unrestricted net assets to be used for future capital and other special projects. The Board of Directors has also internally restricted net assets invested in capital assets of $2,724,927 (2022 - $3,775,936). These internally restricted amounts are not available for other purposes without approval of the Board.

## 10. Investment in capital assets:

Investment in capital assets is calculated as follows:

| | 2023 | 2022 |
|---|---|---|
| Capital assets (Note 4) | **$ 39,479,330** | $ 40,587,115 |
| Accounts receivable – capital | **1,367,448** | 2,616,339 |
| Long-term debt (Note 5) | **(1,175,000)** | (1,225,000) |
| Deferred capital contributions (Note 6) | **(36,485,991)** | (37,595,775) |
| Accounts payable and accrued liabilities - capital | **(356,450)** | (606,743) |
| Asset retirement obligations (Note 8) | **(104,410)** | - |
| | **$ 2,724,927** | $ 3,775,936 |

Changes in net assets invested in capital assets is calculated as follows:

| | 2023 | 2022 |
|---|---|---|
| Deficiency of revenue over expenses: | | |
| Amortization of deferred capital contributions | **$ 2,709,846** | $ 2,148,013 |
| Gain on disposal of capital assets | **(7,864)** | 1,375 |
| Amortization of capital assets | **(2,911,928)** | (2,452,836) |
| | **$ (209,946)** | $ (303,448) |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | **1,812,007** | 3,925,011 |
| Change in accounts payable and accrued liabilities – capital | **250,293** | 3,515,287 |
| Repayment of long-term debt | **50,000** | 50,000 |
| Change in accounts receivable – capital | **(1,248,891)** | 2,080,496 |
| Accounts funded by deferred capital contributions | **(1,600,062)** | (6,455,120) |
| | **(736,653)** | 3,115,674 |
| | **$ (946,599)** | $ 2,812,226 |

**11. Related party transactions and economic interest:**

The Hospital receives support from the Foundations and Auxiliaries operating within the communities serviced by the Hospital. The Foundations and Auxiliaries operate independently of the Hospital, as such the relationship is not considered as a related party.

a) Palmerston and District Hospital Foundation (PDH Foundation):

The PDH Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, and equipment purchases of the Hospital. During the year, the Hospital received donations totaling $550,066 (2022 - $783,359) from the PDH Foundation.

The accounts of the PDH Foundation are not included in these financial statements.

b) Mount Forest Louise Marshall Hospital Foundation (MFLMH Foundation):

The MFLMH Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, equipment of the Hospital. During the year, the Hospital received donations totaling $1,717,027 (2022 - $2,269,288) from the MFLMH Foundation.

c) Auxiliary to Louise Marshall Hospital (LMH Auxiliary):

The LMH Auxiliary is a volunteer organization affiliated with Louise Marshall Hospital and is engaged in a wide range of services for the betterment of the Hospital. The LMH Auxiliary periodically transfers funds to the MFLMH Foundation.

The accounts of the LMH Auxiliary are not included in these financial statements.

d) Auxiliary to Palmerston and District Hospital (PDH Auxiliary):

The PDH Auxiliary is a volunteer organization affiliated with the Hospital and is engaged in a wide range of services for the betterment of the Hospital. The organization periodically transfers funds to the PDH Foundation.

The accounts of the PDH Auxiliary are not included in these financial statements.

**11. Related party transactions and economic interest (continued):**

At March 31, 2023, the Hospital has a receivable from foundations as follows:

| | **2023** | 2022 |
|---|---|---|
| Operating expenses recovery: | | |
| Mount Forest Louise Marshall Hospital Foundation | **$ 104,577** | $ 54,494 |
| Palmerston and District Hospital Foundation | **75,426** | 53,836 |
| Capital & minor equipment funding: | | |
| Mount Forest Louise Marshall Hospital Foundation | **721,902** | 1,978,497 |
| Palmerston and District Hospital Foundation | **146,949** | 132,671 |
| Total Foundation receivables | **$ 1,048,854** | $ 2,219,498 |

e) Wellington Health Care Alliance:

North Wellington Health Care Corporation and Groves Memorial Community Hospital have entered into an alliance agreement (Wellington Health Care Alliance) to enable the parties to provide mutual support and cooperation in the delivery of Hospital services to the patients in their respective catchment areas. The agreement has resulted in a shared senior management team and other resources. The Hospital's share of alliance revenues, expenses, assets and liabilities have been recorded in the accounts of the Hospital. Included in accounts receivable is $165,831 (2022 - $577,477) due from Groves Memorial Community Hospital, and included in accounts payable is $804,535 (2022 - $382,922) owing to Groves Memorial Community Hospital.

**12. Diabetes program:**

During the year, the Hospital received $758,175 (2022 - $758,175) in funding from the Ministry of Health related to the Diabetes Program. The surplus for this program at March 31, 2023 is $nil (2022 – $nil).

**13. Contingent liabilities:**

a) Litigation and claims:

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2023, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital has entered into an agreement with Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario). HIROC provides insurance coverage on a pooling basis to its subscribers. The Hospital is liable for its proportionate share of any assessment for losses experienced by the pool during each policy year that it is a subscriber. No assessments have been made up to March 31, 2023. The term of this agreement requires two years notice before withdrawing from the agreement.

b) Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

## 14. Commitments:

a) Service agreements:

During the year, the Hospital has committed to capital purchases, service and rental agreements.

The payments that are required under the terms of these agreements as follows:

| | | |
|---|---|---|
| 2024 | $ | 1,342,535 |
| 2025 | | 415,096 |
| 2026 | | 372,945 |
| 2027 | | 316,982 |
| 2028 | | 149,474 |
| **Total** | **$** | **2,597,032** |

The Hospital signed an agreement with Mohawk Shared Services Inc. for procurement and logistics services relating to the purchase and delivery of medical and other supplies on April 1, 2015. The term of the agreement is three years renewing automatically every three years unless two years prior notice is given not to renew at the end of the current term.

## 15. Financial risks:

a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Hospital’s surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

**15. Financial risks (continued):**

b) Interest rate risk:

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

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through to its interest-bearing operating line.

The Hospital has financing available in the form of an operating line which is drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.50% and is payable monthly.

c) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Hospital is exposed to credit risk with respect to its accounts receivable and cash.

The Hospital assesses, 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 Hospital at March 31, 2023 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 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, 2023 is $20,264 (2022 - $7,083).

As at March 31, 2023, $4,152 (2022 - $3,627) of third-party accounts receivable were past due, but not impaired.

**15. Financial risks (continued):**

d) 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.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

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

**16. Comparative information:**

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the March 31, 2023 financial statements.

**17. Change in accounting policy:**

On April 1, 2022, the Hospital adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption, without restatement of comparative information.

The Hospital recognized an asset retirement obligation relating to buildings owned by the Hospital that contain asbestos. The liability is measured as of the date of original purchase/constructed, when the liability was assumed. The buildings expected useful life estimate has not changed since purchase/constructed. The change resulted in a decrease in the opening net assets (invested in capital assets) balance by $104,410 as a result of the recognition of the liability.

| | **April 1, 2022, as previously reported** | **Adjustment** | **April 1, 2022, as restated** |
|---|---|---|---|
| Net assets – invested in capital assets | $3,775,936 | $ (104,410) | **$3,671,326** |
| Asset retirement obligations | - | 104,410 | **104,410** |