

Financial Statements of

**HALDIMAND WAR
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Directors of Haldimand War Memorial Hospital

Opinion

We have audited the financial statements of Haldimand War Memorial Hospital ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement cash flows and for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our report.

We are independent of the Entity in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slanted. Below the signature is a long, horizontal, slightly curved underline.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June, 22, 2020

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 321,239	\$ 127,414
Accounts receivable (note 2)	591,495	609,746
Due from related parties (note 3)	443,397	1,109,030
Inventories (note 4)	209,880	220,399
Investments (note 5)	212,783	173,440
Prepaid expenses	327,030	254,487
	<u>2,105,824</u>	<u>2,494,516</u>
Due from related parties (note 3)	134,250	254,250
Property and equipment (note 6)	25,410,855	25,677,403
	<u>\$ 27,650,929</u>	<u>\$ 28,426,169</u>

Liabilities and Net Assets

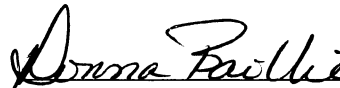
Current liabilities:		
Bank indebtedness (note 7)	\$ 471,300	\$ 11,994
Accounts payable and accrued liabilities (note 8)	2,876,215	3,890,098
Demand loans (note 9)	10,320,023	11,599,545
Current portion of obligation under capital lease (note 10)	23,383	23,383
	<u>13,690,921</u>	<u>15,525,020</u>
Obligation under capital lease (note 10)	104,705	129,076
Deferred capital contributions (note 11)	11,038,833	9,159,047
Employee future benefits (note 12)	602,300	721,200
Net assets:		
Invested in property and equipment (note 15)	4,861,824	5,843,881
Unrestricted	(2,647,654)	(2,952,055)
	<u>2,214,170</u>	<u>2,891,826</u>
Contingent liabilities (note 13)		
Subsequent event (note 17)		
	<u>\$ 27,650,929</u>	<u>\$ 28,426,169</u>

See accompanying notes to the financial statements.

On behalf of the Board:



Director



Director

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Ministry of Health (the "Ministry")	\$ 13,616,169	\$ 13,356,470
Emergency and on-call funding	2,414,082	2,331,180
Patient related and preferred accommodations	1,649,361	1,418,516
Donations (note 3)	718,316	476,871
Amortization of deferred equipment contributions	362,720	681,668
Recoveries and other income	1,781,499	1,404,760
	<u>20,542,147</u>	<u>19,669,465</u>
Expenses:		
Salaries and benefits	11,930,514	11,473,164
Supplies and other expenses	4,282,534	3,827,997
Emergency and on-call expenses	2,413,102	2,331,161
Medical and surgical supplies	579,510	546,228
Amortization of equipment	469,948	753,518
Interest and bank charges	407,090	265,226
Medical staff remuneration	342,699	269,886
Drugs	324,745	294,770
	<u>20,750,142</u>	<u>19,761,950</u>
Deficiency of revenues over expenses before the undernoted items	(207,995)	(92,485)
Other (income) expenses:		
Loss on disposal of asset	—	689,683
Building amortization	982,657	859,541
Amortization of deferred building contributions	(512,996)	(369,413)
	<u>469,661</u>	<u>1,179,811</u>
Deficiency of revenues over expenses	<u>\$ (677,656)</u>	<u>\$ (1,272,296)</u>

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

March 31, 2020	Invested in property and equipment	Unrestricted	Total
Balance, beginning of year	\$ 5,843,881	\$ (2,952,055)	\$ 2,891,826
Deficiency of revenues over expenses	(576,889)	(100,767)	(677,656)
Net change in investment in property and equipment (note 15)	(405,168)	405,168	–
Balance, end of year	\$ 4,861,824	\$ (2,647,654)	\$ 2,214,170

March 31, 2019	Invested in property and equipment	Unrestricted	Total
Balance, beginning of year	\$ 8,042,073	\$ (3,877,951)	\$ 4,164,122
Deficiency of revenues over expenses	(561,978)	(710,318)	(1,272,296)
Net change in investment in property and equipment (note 15)	(1,636,214)	1,636,214	–
Balance, end of year	\$ 5,843,881	\$ (2,952,055)	\$ 2,891,826

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (677,656)	\$ (1,272,296)
Items not involving cash:		
Amortization of property and equipment	1,452,605	1,613,059
Amortization of property and equipment contributions	(875,716)	(1,051,081)
Loss on disposal of property and equipment	–	689,683
Employee future benefits	(118,900)	11,000
	(219,667)	(9,635)
Change in non-cash operating working capital:		
Accounts receivable	18,251	(114,759)
Inventories	10,519	(39,950)
Prepaid expenses	(72,543)	73,587
Accounts payable and accrued liabilities	(1,013,883)	539,810
Due from related parties	785,633	(404,480)
	(491,690)	44,373
Financing:		
Proceeds from demand instalment loans	–	4,451,859
Proceeds from operating line of credit	459,306	–
Repayment of demand instalment loans	(1,279,522)	(367,252)
Repayment of operating line of credit	–	(965,920)
Payments under capital lease obligations	(24,371)	(23,383)
	(844,587)	3,095,304
Investing:		
Purchase of investments	(39,343)	(7,320)
Capital:		
Property and equipment acquisitions	(1,186,057)	(6,489,737)
Receipt of deferred property and equipment contributions	2,755,502	3,247,183
	1,569,445	(3,242,554)
Increase (decrease) in cash	193,825	(110,197)
Cash, beginning of year	127,414	237,611
Cash, end of year	\$ 321,239	\$ 127,414

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

Nature of operations:

Haldimand War Memorial Hospital ("the Hospital") is incorporated under the laws of the Province of Ontario and is a registered charitable organization under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The Hospital's significant accounting policies are as follows:

(a) Basis of presentation:

These financial statements present only the accounts of the Hospital as a separately managed entity. They do not include the accounts of Edgewater Gardens Long-Term Care Centre ("Edgewater") or the Haldimand War Memorial Charitable Corporation (the "Charity") (controlled but separately managed entities (note 3)).

(b) Inventories:

Inventories are valued at the lower of cost and net realizable value defined by replacement cost.

(c) Property and equipment:

Purchased property and equipment are recorded at cost. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Property and equipment are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	2 to 10%
Buildings	2.5%
Furniture and equipment	5 to 20%
Redevelopment costs	10%

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) 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 funding policies established by the Ministry of Health. Any excess of revenues over expenses earned during a fiscal year may be retained by the Hospital. There is currently no commitment by the Ministry to fund deficits incurred by the Hospital. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The Ministry provides operating funding, including based funding which is expected to be received on an annual basis, and special funding which is non-recurring in nature, and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). On April 1, 2019, the H-SAA was amended, extending the term to March 31, 2020. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the organization's performance.

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 related to a future period, it is deferred and recognized in that period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2020.

Unrestricted contributions are recognized as revenue when received or receivable if the amount 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 recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related property and equipment.

Ontario Health Insurance Plan and preferred accommodation revenue is recognized when the service is provided.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Contributed goods and services:

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

(f) Employee future benefits:

(i) Post-employment health, dental, and life insurance:

The Hospital provides post-employment health, dental, and life insurance for eligible employees. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and incorporates management's best estimate of cost escalation, retirement ages of employees and other actuarial factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2020 and the next required valuation will be as of March 31, 2023.

Actuarial gains (losses) on the liability for post-employment benefits arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the liability for post-employment benefits. The accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-employment health, dental, and life insurance plan is 13 years (2019 - 13 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

(ii) Pension:

Eligible employees of the Hospital are members of the Healthcare of Ontario Pension Plan ("HOOPP"). This plan is a multi-employer defined benefit plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for contributions made to the plan as a defined contribution plan. Accordingly, contributions are included in salaries and benefits expense in the year the contributions are made.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial 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. As the Hospital has no unrealized changes in fair value a statement of remeasurement gains and losses has not been included in these financial statements.

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.

The Hospital is required 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; and
- 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.

(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 revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, accounts receivable, due from related parties, and obligations related to employee future benefits. Actual results could differ from those estimates.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Accounts receivable:

	2020	2019
Ministry of Health	\$ 119,914	\$ 117,043
HST receivable	167,957	270,944
Insurers and patients	64,897	39,690
Other	238,727	182,069
	<u>\$ 591,495</u>	<u>\$ 609,746</u>

3. Related party transactions:

Due from Edgewater Gardens Long-Term Care Centre:

The Hospital exercises control over Edgewater by virtue, in part, by a number of common directors. Transactions and balances with Edgewater during the year are as follows:

	2020	2019
Building rental, maintenance and hydro revenue	\$ 363,440	\$ 352,656
Administration fee, salaries and other revenue	63,804	69,800
Deferred contributions received, nursing home capital funding	242,438	241,776
Due from related parties	25,081	431,565

In addition, there are amounts due from Edgewater relating to an intercompany loan in the amount of \$234,250 (2019 - \$354,250) and is split between the current portion of \$100,000 (2019 - \$100,000) and the long-term portion of \$134,250 (2019 - \$254,250). The loan is repayable in annual payments of \$100,000 and is payable in full by December 31, 2021. Interest is charged annually based on the Hospital's rate of borrowing and can be waived at the discretion of the Hospital.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Related party transactions (continued):

Due from Edgewater Gardens Long-Term Care Centre (continued):

Below is a summary of Edgewater's financial position as at December 31:

	2020	2019
Financial position:		
Total assets	\$ 447,091	\$ 494,141
Total liabilities	\$ 692,242	\$ 860,886
Total deficit	(245,151)	(366,745)
	\$ 447,091	\$ 494,141
Results of operations:		
Total revenues	\$ 4,879,988	\$ 4,704,432
Total expenses	4,758,394	4,604,015
Excess of revenues over expenses	\$ 121,594	\$ 100,417

Halidmand War Memorial Charitable Corporation:

The Hospital exercises control over the Charity in part, by a number of common directors and management. The Charity has total assets of \$10,067,994 as at March 31, 2020 (2019 - \$12,222,606), total liabilities of \$320,954 (2019 - \$936,482) and net assets of \$9,855,576 (2019 - \$9,855,576) and accumulated rereasurement loss (gain) of 108,536 (2019 - \$(1,430,548)). During the year, the Hospital received donations from the Charity. Transactions and balances with the Charity during the year are as follows:

	2020	2019
Donations from the Charity:		
For operations	\$ 718,316	\$ 476,871
For capital	—	854,844
Due from related parties	318,316	931,715

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Inventories:

Inventory is comprised of:

	2020	2019
Medical supplies	\$ 143,260	\$ 165,130
Drugs	62,074	46,040
Other	4,546	9,229
	\$ 209,880	\$ 220,399

5. Investments:

	2020	2019
Fixed income	\$ 110,593	\$ 96,067
Equities	102,190	77,373
	\$ 212,783	\$ 173,440

As at March 31, 2020, the cost value of the investments approximates the market value. These funds are held for repairs on the Village by the Grand as further described in note 8.

6. Property and equipment:

March 31, 2020	Cost	Accumulated amortization	Net book value
Land – Hospital	\$ 90,754	\$ –	\$ 90,754
Land – Rental	1,588,416	–	1,588,416
Land improvements	515,230	432,084	83,146
Buildings – Hospital	19,966,110	7,457,781	12,508,329
Buildings – Rental	12,966,594	4,405,506	8,561,088
Buildings – Village by the Grand	31,269	–	31,269
Furniture and equipment	12,882,153	11,146,466	1,735,687
Redevelopment costs	129,643	129,643	–
Construction in progress	812,166	–	812,166
	\$ 48,982,335	\$ 23,571,480	\$ 25,410,855

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Property and equipment (continued):

March 31, 2019	Cost	Accumulated amortization	Net book value
Land – Hospital	\$ 90,754	\$ –	\$ 90,754
Land – Rental	1,588,416	–	1,588,416
Land improvements	515,230	394,343	120,887
Buildings – Hospital	19,662,989	6,860,907	12,802,082
Buildings – Rental	12,966,594	4,081,639	8,884,955
Buildings – Village by the Grand	31,269	–	31,269
Furniture and equipment	12,796,660	10,652,343	2,144,317
Redevelopment costs	129,643	129,643	–
Construction in progress	14,723	–	14,723
	<u>\$ 47,796,278</u>	<u>\$ 22,118,875</u>	<u>\$ 25,677,403</u>

7. Credit facility:

The Hospital maintains a \$2,000,000 operating line of credit for purposes of short-term borrowing and financing its working capital. The bank indebtedness bears interest at prime minus 0.25% and is secured by a general security agreement. The balance drawn on the operating credit facility as at March 31, 2020 is \$459,306 (2019 - \$Nil) and is included in bank indebtedness.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is a portion of the occupancy fees charged to life lease unit holders of Village by the Grand. The fees are set aside for future major repairs and replacement of common areas and facilities. As at March 31, 2020, the balance included in accounts payable and accrued liabilities was \$183,324 (2019 - \$173,440).

Included in accounts payable and accrued liabilities are government remittances payable of \$209,074 (2019 - \$135,544), which includes amounts payable for payroll related taxes.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Demand loans:

	2020	2019
Capital:		
Demand instalment loan, scheduled to be repaid in monthly blended instalments of \$29,411, bearing interest at the rate of prime minus 0.25% and secured by real property and a general security agreement over all assets used in the operation of Edgewater Gardens Long-Term Care Centre, a related party	\$ 3,645,080	\$ 3,878,277
Demand instalment loan, scheduled to be repaid in monthly blended instalments of \$6,545, bearing interest at the rate of prime minus 0.25% and secured by real property and a general security agreement for the Medical Arts Building	64,255	881,506
	<u>3,709,335</u>	<u>4,759,783</u>
Developed Property:		
Demand instalment loan, repayable from the net proceeds of the units of the Village by the Grand retirement facility and scheduled to be repaid in monthly blended instalments of \$11,520, bearing interest at the rate of prime minus 0.25% and secured by an assignment of investments held by Haldimand War Memorial Charitable Corporation in the joint amount of \$8,500,000	809,825	925,070
Demand instalment loan, scheduled to be repaid in monthly blended instalments which will be determined upon the completion of the Emergency Department. The monthly blended instalments will be calculated on the outstanding balance at the date of conversion from a demand loan to a mortgage. The demand loan bears interest at the rate of prime minus 0.25% and is secured by an assignment of investments held by Haldimand War Memorial Charitable Corporation in the joint amount of \$8,500,000	5,800,863	5,914,692
	<u>6,610,688</u>	<u>6,839,762</u>
	<u>\$ 10,320,023</u>	<u>\$ 11,599,545</u>

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Demand loans (continued):

Notwithstanding the demand features, repayments over the next five years, assuming the existing repayment schedule, are as follows:

Fiscal years ending:	
2021	\$ 461,408
2022	405,979
2023	415,001
2024	424,224
2025 and thereafter	2,812,548
	<hr/> \$ 4,519,160 <hr/>

As the loans are payable on demand they have been classified as current in the statement of financial position.

The principal repayment for the Emergency Department demand loan of \$5,800,863 (2019 - \$5,914,692), is not included in the table above as the repayment amount will be determined when the loan is converted from a demand instalment loan to a mortgage. As at March 31, 2020, the demand loan has not been converted to a mortgage.

10. Obligation under capital leases:

The following is a schedule of minimum lease payments under fixed rate capital leases expiring November 15, 2024, together with the balance of the obligation:

Fiscal years ending:	
2021	\$ 30,238
2022	30,238
2023	30,238
2024	30,238
2025 and thereafter	20,159
	<hr/> 141,111
Less interest	(13,023)
Present value of capital lease payments	<hr/> 128,088
Less current portion	23,383
Long-term portion	<hr/> \$ 104,705 <hr/>

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Deferred capital contributions:

	2020	2019
Balance, beginning of year	\$ 9,159,047	\$ 6,962,945
Contributions received:		
Ministry of Health	689,000	530,721
Ministry of Health, nursing home capital funding	241,776	241,776
Dunville Hospital & Healthcare Foundation	1,700,001	1,140,000
Haldimand War Memorial Hospital Charitable Corporation	–	854,844
Haldimand County	–	440,892
Dunnville Health Centre Volunteer Association	18,039	–
Other	106,686	38,950
	11,914,549	10,210,128
Amortization of deferred equipment contributions	(362,720)	(681,668)
Amortization of deferred building contributions	(512,996)	(369,413)
	\$ 11,038,833	\$ 9,159,047

In light of the COVID-19 pandemic, the Ministry of Health is granting a special one-time exception to carry over unspent 2019-20 Health Infrastructure Renewal Fund (“HIRF”) funding into the 2020-21 fiscal year, in order for hospitals to complete their infrastructure renewal projects that have been impacted by this situation. The Hospital is carrying over HIRF funding of \$376,542 that is included in deferred capital contributions as the underspending was due to COVID-19.

12. Employee future benefits:

The Hospital provides extended health care, dental and life insurance benefits to eligible employees. At March 31, 2020, the Hospital’s accrued benefit obligation relating to post-employment benefit plans is \$235,700 (2019 - \$622,900) of which \$602,300 (2019 - \$721,200) has been recorded as an accrued benefit liability on the statement of financial position.

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

i. Interest (discount rate):

The obligation as at March 31, 2020, of the present value of future liabilities was determined using a discount rate of 3.10% (2019 - 2.90%).

ii. Medical costs:

Medical costs were assumed to increase at the rate of 6.00% (2019 - 6.00%) and decrease by 0.25% per year to an ultimate rate of 4.50% (2019 - 4.50%) per annum.

iii. Dental costs:

Dental costs were assumed to increase at the rate of 2.75% (2019 - 2.75%) per year.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Employee future benefits (continued):

Included in salaries and benefits on the statement of operations is a recovery of \$75,700 (2019 - expense of \$50,900) regarding employee future benefits. The amount is comprised of:

	2020	2019
Accrual for service	\$ 44,800	\$ 35,700
Prior service cost adjustment	(132,000)	–
Interest on accrued benefits	14,900	19,100
Amortization of actuarial gain	(3,400)	(3,900)
	\$ (75,700)	\$ 50,900

Information about the accrued non-pension obligation and liability as at March 31, 2020, is as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 622,900	\$ 469,600
Current benefit cost	44,800	35,700
Prior service costs	(132,000)	132,000
Actuarial (gain) loss	(271,700)	6,400
Interest	14,900	19,100
Benefits paid	(43,200)	(39,900)
Balance, end of year	235,700	622,900
Unamortized actuarial gain	366,600	98,300
Liability for benefits, end of year	\$ 602,300	\$ 721,200

13. Contingent liabilities:

The Hospital has outstanding standby letters of credit in the amount of \$62,456 (2019 - \$72,100) payable to Haldimand County, issued in connection with projects. No amount has been drawn on these facilities.

14. Pension plan:

Eligible employees of the Hospital are members of the HOOPP. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$625,920 (2019 - \$622,088) and are included in salaries and benefits in the statement of operations.

The most recent actuarial valuation of HOOPP was done December 31, 2019. As at December 31, 2019, the HOOPP annual report indicates that the plan's funded status was 119%.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

15. Net assets invested in capital assets:

a) Net assets invested in capital assets is calculated as follows:

	2020	2019
Property and equipment	\$ 25,410,855	\$ 25,677,403
Amounts financed by:		
Deferred capital contributions	(11,038,833)	(9,159,047)
Demand loans	(9,510,198)	(10,674,475)
	\$ 4,861,824	\$ 5,843,881

b) Change in net assets invested in property and equipment is calculated as follows:

	2020	2019
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions related to property and equipment	\$ 875,716	\$ 1,051,081
Amortization of property and equipment	(1,452,605)	(1,613,059)
	(576,889)	\$ (561,978)
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 1,186,057	\$ 6,489,737
Amounts funded by deferred capital contributions	(2,755,502)	(3,247,183)
Loss on disposal of property and equipment	—	(689,683)
Amounts financed by demand loans	1,164,277	(4,189,085)
	\$ (405,168)	\$ (1,636,214)

16. Financial risks:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Hospital's income or the value of its holdings of financial instruments.

(i) 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 market interest rates.

Financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through its bank indebtedness and demand loans that bear interest at rates that fluctuate with the prime rate.

There have been no significant changes to the interest rate risk exposure from 2019.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Financial risks (continued):

(ii) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a patient fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Hospital consisting of accounts receivable.

The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The allowance for doubtful accounts as at March 31, 2020 is nil. 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.

There have been no significant changes to the credit risk exposure from 2019.

(iii) Liquidity risk

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

The Hospital has a working capital deficiency as a result of demand loans related to property and equipment that have not yet been refinanced into long-term debt.

There have been no significant changes to the liquidity risk exposure from 2019.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

17. Subsequent event:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented several initiatives including:

- Enhanced infection prevention and control measures including screening, isolations, increased use of personal protective equipment and increased cleaning;
- Suspension of some services, and cancellation of elective surgeries and less urgent diagnostic procedures. This was done in order to create capacity for pandemic response and limit the potential for transmission within the Hospital; and,
- The purchase of equipment and supplies, and the hiring of additional staff, in order to create capacity for pandemic response.

As a result of these actions, the Hospital experienced increases in operating costs.

a) *Current year transactions:*

For the year ended March 31, 2020, the Ministry of Health of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenses and has recognized \$25,000 of revenue from these programs. These amounts have been recorded in Ministry funding revenue and the appropriate expense lines in the statement of operations.

b) *Subsequent events related to COVID-19:*

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.