

Financial Statements of

**HALDIMAND WAR  
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, 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.



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- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
June 28, 2021

# HALDIMAND WAR MEMORIAL HOSPITAL

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 190,583	\$ 321,239
Accounts receivable (note 2)	12,014,220	591,495
Due from related parties (note 3)	271,977	443,397
Inventories (note 4)	268,798	209,880
Investments (note 5)	256,992	212,783
Prepaid expenses	325,292	327,030
	<u>13,327,862</u>	<u>2,105,824</u>
Due from related parties (note 3)	-	134,250
Property and equipment (note 6)	25,239,868	25,410,855
	<u>\$ 38,567,730</u>	<u>\$ 27,650,929</u>

## Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 7)	\$ 566,000	\$ 471,300
Accounts payable and accrued liabilities (note 8)	2,943,753	2,876,215
Demand loans (note 9)	9,547,095	10,320,023
Current portion of obligation under capital lease (note 10)	26,477	23,383
	<u>13,083,325</u>	<u>13,690,921</u>
Obligation under capital lease (note 10)	76,209	104,705
Deferred capital contributions (note 11)	11,934,203	11,038,833
Employee future benefits (note 12)	580,800	602,300
Net assets:		
Invested in property and equipment (note 15)	4,446,721	4,861,824
Unrestricted	8,446,472	(2,647,654)
	<u>12,893,193</u>	<u>2,214,170</u>
Contingent liabilities (note 13)		
COVID-19 impacts (note 19)		
	<u>\$ 38,567,730</u>	<u>\$ 27,650,929</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, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Ministry of Health (the "Ministry") (note 17)	\$ 15,254,447	\$ 13,616,169
Emergency and on-call funding	2,719,445	2,414,082
Patient related and preferred accommodations	1,371,847	1,649,361
Donations (note 3)	433,321	718,316
Amortization of deferred equipment contributions	142,256	362,720
Recoveries and other income	1,304,389	1,781,499
	<u>21,225,705</u>	<u>20,542,147</u>
Expenses:		
Salaries and benefits	12,230,427	11,930,514
Supplies and other expenses	3,916,759	4,282,534
Emergency and on-call expenses	2,719,445	2,413,102
Medical and surgical supplies	525,230	579,510
Amortization of equipment	419,277	469,948
Interest and bank charges	201,284	407,090
Medical staff remuneration	239,884	342,699
Drugs	338,067	324,745
	<u>20,590,373</u>	<u>20,750,142</u>
Excess (deficiency) of revenues over expenses	635,332	(207,995)
Other (income) expenses:		
Building amortization	965,301	982,657
Amortization of deferred building contributions	(582,392)	(512,996)
	<u>382,909</u>	<u>469,661</u>
Excess (deficiency) of revenues over expenses before the undernoted	252,423	(677,656)
Ministry funding – working capital funds (note 18)	10,426,600	–
Excess (deficiency) of revenues over expenses	<u>\$ 10,679,023</u>	<u>\$ (677,656)</u>

See accompanying notes to the financial statements.

# HALDIMAND WAR MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

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

March 31, 2021	Invested in property and equipment	Unrestricted	Total
Balance, beginning of year	\$ 4,861,824	\$ (2,647,654)	\$ 2,214,170
(Deficiency) excess of revenues over expenses (note 15)	(659,930)	11,338,953	10,679,023
Net change in investment in property and equipment (note 15)	244,827	(244,827)	–
Balance, end of year	\$ 4,446,721	\$ 8,446,472	\$ 12,893,193

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 (note 15)	(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

See accompanying notes to the financial statements.

# HALDIMAND WAR MEMORIAL HOSPITAL

## Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 10,679,023	\$ (677,656)
Items not involving cash:		
Amortization of property and equipment	1,384,578	1,452,605
Amortization of property and equipment contributions	(724,648)	(875,716)
Employee future benefits	(21,500)	(118,900)
	<u>11,317,453</u>	<u>(219,667)</u>
Change in non-cash operating working capital:		
Accounts receivable	(11,422,725)	18,251
Inventories	(58,918)	10,519
Prepaid expenses	1,738	(72,543)
Accounts payable and accrued liabilities	67,538	(1,013,883)
Due from related parties	305,670	785,633
	<u>210,756</u>	<u>(491,690)</u>
Financing:		
Proceeds from operating line of credit	94,700	459,306
Repayment of demand instalment loans	(772,928)	(1,279,522)
Payments under capital lease obligations	(25,402)	(24,371)
	<u>(703,630)</u>	<u>(844,587)</u>
Investing:		
Purchase of investments	(44,209)	(39,343)
Capital:		
Property and equipment acquisitions	(1,213,591)	(1,186,057)
Receipt of deferred property and equipment contributions	1,620,018	2,755,502
	<u>406,427</u>	<u>1,569,445</u>
(Decrease) increase in cash	(130,656)	193,825
Cash, beginning of year	321,239	127,414
Cash, end of year	<u>\$ 190,583</u>	<u>\$ 321,239</u>

See accompanying notes to the financial statements.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

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## 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:

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

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# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 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, 2020, the H-SAA was amended, extending the term to March 31, 2021. 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, 2021.

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, 2021

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## 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 14 years (2020 - 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, 2021

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## 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, 2021

## 2. Accounts receivable:

	2021	2020
Ministry of Health	\$ 11,390,289	\$ 119,914
HST receivable	154,447	167,957
Insurers and patients	72,770	64,897
Other	396,714	238,727
	<u>\$ 12,014,220</u>	<u>\$ 591,495</u>

Included in the Ministry of Health receivable are amounts due to the Hospital including \$10,426,600 (2020 - \$nil) relating to working capital funds as further described in note 18 and \$518,390 (2020 - \$nil) for other COVID-19 funding.

## 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:

	2021	2020
Building rental, maintenance and hydro revenue	\$ 358,819	\$ 363,440
Administration fee, salaries and other revenue	48,164	63,804
Deferred contributions received, nursing home capital funding	241,776	242,438
Due from related parties, non-interest bearing with no specified terms	152,277	25,081

In addition, there are amounts due from Edgewater relating to an intercompany loan in the amount of \$74,250 (2020 - \$234,250). The loan will be repaid in full in the following year and therefore is classified as a current asset as at March 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, 2021

### 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:

	2021	2020
Financial position:		
Total assets	\$ 951,742	\$ 447,091
Total liabilities	\$ 1,035,573	\$ 692,242
Total deficit	(83,831)	(245,151)
	\$ 951,742	\$ 447,091
Results of operations:		
Total revenues	\$ 5,447,775	\$ 4,879,988
Total expenses	5,286,455	44,758,394
Excess of revenues over expenses	\$ 161,320	\$ 121,594

#### Haldimand 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 \$11,812,849 as at March 31, 2021 (2020 - \$10,067,994), total liabilities of \$49,083 (2020 - \$320,954) and net assets of \$9,855,576 (2020 - \$9,855,576) and accumulated remeasurement gain (loss) of \$1,908,190 (2020 - loss of \$(108,536)). During the year, the Hospital received donations from the Charity. Transactions and balances with the Charity during the year are as follows:

	2021	2020
Donations from the Charity for operations	\$ 433,321	\$ 718,316
Due from related parties	45,450	318,316

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, 2021

## 4. Inventories:

Inventory is comprised of:

	2021	2020
Medical supplies	\$ 140,815	\$ 143,260
COVID-19 supplies	66,118	–
Drugs	55,867	62,074
Other	5,998	4,546
	<b>\$ 268,798</b>	<b>\$ 209,880</b>

## 5. Investments:

	2021	2020
Fixed income	\$ 144,191	\$ 110,593
Equities	112,801	102,190
	<b>\$ 256,992</b>	<b>\$ 212,783</b>

As at March 31, 2021, 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, 2021	Cost	Accumulated amortization	Net book value
Land – Hospital	\$ 90,754	\$ –	\$ 90,754
Land – Rental	1,588,416	–	1,588,416
Land improvements	515,230	445,149	70,081
Buildings – Hospital	21,357,389	8,125,268	13,232,121
Buildings – Rental	12,984,043	4,726,752	8,257,291
Buildings – Village by the Grand	36,616	–	36,616
Furniture and equipment	13,028,486	11,529,246	1,499,240
Redevelopment costs	129,643	129,643	–
Construction-in-progress	465,349	–	465,349
	<b>\$ 50,195,926</b>	<b>\$ 24,956,058</b>	<b>\$ 25,239,868</b>

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 6. Property and equipment (continued):

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

## 7. Credit facility:

The Hospital maintains a \$1,600,000 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, 2021 is \$554,006 (2020 - \$459,306) 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, 2021, the balance included in accounts payable and accrued liabilities was \$275,814 (2020 - \$183,324).

Included in accounts payable and accrued liabilities are government remittances payable of \$178,516 (2020 - \$209,074), which includes amounts payable for payroll related taxes.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 9. Demand loans:

	2021	2020
<b>Capital:</b>		
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	\$ 3,369,397	\$ 3,645,080
Demand instalment loan, monthly blended instalments of \$6,545, bearing interest at the rate of prime minus 0.25%, repaid	–	64,255
	3,369,397	3,709,335
<b>Developed Property:</b>		
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	688,151	809,825
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	5,489,547	5,800,863
	6,177,698	6,610,688
	\$ 9,547,095	\$ 10,320,023

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 9. Demand loans (continued):

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

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Fiscal years ending:		
2022	\$	405,983
2023		415,006
2024		424,228
2025		433,656
2026 and thereafter		2,378,675
	\$	4,057,548

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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 \$5,489,547 (2020 - \$5,800,863), 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, 2021, 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:

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Fiscal years ending:		
2022	\$	30,238
2023		30,238
2024		30,238
2025 and thereafter		20,159
		110,873
Less interest		(8,187)
Present value of capital lease payments		102,686
Less current portion		(26,477)
Long-term portion	\$	76,209

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# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 11. Deferred capital contributions:

	2021	2020
Balance, beginning of year	\$ 11,038,833	\$ 9,159,047
Contributions received:		
Ministry of Health	235,805	689,000
Ministry of Health, nursing home capital funding	241,776	241,776
Dunville Hospital & Healthcare Foundation	750,000	1,700,001
Dunnville Health Centre Volunteer Association	11,565	18,039
Other	380,872	106,686
	12,658,851	11,914,549
Amortization of deferred equipment contributions	(142,256)	(362,720)
Amortization of deferred building contributions	(582,392)	(512,996)
	\$ 11,934,203	\$ 11,038,833

## 12. Employee future benefits:

The Hospital provides extended health care, dental and life insurance benefits to eligible employees. At March 31, 2021, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$237,000 (2020 - \$235,700) of which \$580,800 (2020 - \$602,300) 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, 2021, of the present value of future liabilities was determined using a discount rate of 3.10% (2020 - 3.10%).

ii. Medical costs:

Medical costs were assumed to increase at the rate of 5.37% (2020 - 6.00%) per year.

iii. Dental costs:

Dental costs were assumed to increase at the rate of 3.00% (2020 - 2.75%) per year.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 12. Employee future benefits (continued):

Included in salaries and benefits on the statement of operations is a recovery of \$2,800 (2020 - expense of \$75,700) regarding employee future benefits. The amount is comprised of:

	2021	2020
Accrual for service	\$ 18,100	\$ 44,800
Prior service cost adjustment	–	(132,000)
Interest on accrued benefits	7,500	14,900
Amortization of actuarial gain	(22,800)	(3,400)
	\$ 2,800	\$ (75,700)

Information about the accrued non-pension obligation and liability as at March 31, 2021, is as follows:

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ 235,700	\$ 622,900
Current benefit cost	18,100	44,800
Prior service costs	–	(132,000)
Actuarial gain	–	(271,700)
Interest	7,500	14,900
Benefits paid	(24,300)	(43,200)
Balance, end of year	237,000	235,700
Unamortized actuarial gains	343,800	366,600
Liability for benefits, end of year	\$ 580,800	\$ 602,300

## 13. Contingent liabilities:

The Hospital has outstanding standby letters of credit in the amount of \$62,456 (2020 - \$62,456) 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 \$638,755 (2020 - \$625,920) and are included in salaries and benefits in the statement of operations.

The most recent HOOPP actuarial valuation of the Plan as of December 31, 2020 indicated the Plan has a 19% surplus in disclosed actuarial assets.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 15. Net assets invested in capital assets:

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

	2021	2020
Property and equipment	\$ 25,239,868	\$ 25,410,855
Amounts financed by:		
Deferred capital contributions	(11,934,203)	(11,038,833)
Demand loans	(8,858,944)	(9,510,198)
	\$ 4,446,721	\$ 4,861,824

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

	2021	2020
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions related to property and equipment	\$ 724,648	\$ 875,716
Amortization of property and equipment	(1,384,578)	(1,452,605)
	(659,930)	\$ (576,889)
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 1,213,591	\$ 1,186,057
Amounts funded by deferred capital contributions	(1,620,018)	(2,755,502)
Amounts financed by demand loans	651,254	1,164,277
	\$ 244,827	\$ (405,168)

In light of the COVID-19 pandemic, the Ministry of Health is granting a special one-time exception to carry over unspent 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 \$nil (2020 - \$376,542) that is included in deferred capital contributions as the underspending was due to COVID-19.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 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 2020.

### (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, 2021 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, 2021 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 2020.

### (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.

There have been no significant changes to the liquidity risk exposure from 2020.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 17. Ministry of Health pandemic funding:

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

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

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the Ministry. However, given the potential for future changes to funding programs that could be announced by the Ministry, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the Ministry funding for COVID-19 recognized as revenue in the current year which are included in the statement of operations are summarized below:

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Funding for incremental COVID-19 operating expenses	\$ 1,099,346
Funding for revenue losses resulting from COVID-19	129,200
Broad-based funding reconciliation for other eligible costs and revenue losses	212,485
	<hr/>
	\$ 1,441,031

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In addition to the above, the Hospital has also recognized \$nil in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

# HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## **18. Ministry of Health working capital funding:**

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

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

## **19. COVID-19 impacts:**

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

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. The Ministry has provided additional funding as further noted in note 17. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.