

Financial Statements of

**HALDIMAND WAR
MEMORIAL HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2023



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's 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.



Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2023 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



Page 3

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 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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 26, 2023

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Assets		
Current assets:		
Cash	\$ 525,025	\$ 1,486,501
Accounts receivable (note 3)	2,495,959	1,575,069
Due from related parties (note 4)	102,000	55,336
Inventories (note 5)	219,837	325,877
Investments (note 6)	376,309	311,025
Prepaid expenses	350,526	332,349
	4,069,656	4,086,157
Property and equipment (note 7)	24,859,993	25,212,775
	\$ 28,929,649	\$ 29,298,932

Liabilities and Net Assets

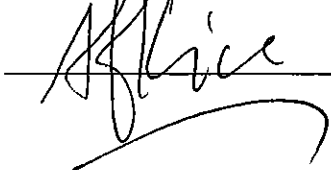
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 3,400,025	\$ 3,562,299
Current portion of obligation under capital lease (note 10)	28,764	27,596
	3,428,789	3,589,895
Asset retirement obligations (note 16)	344,251	344,251
Obligation under capital lease (note 10)	19,849	44,280
Deferred capital contributions (note 11)	12,330,509	12,095,255
Employee future benefits (note 12)	548,400	558,700
Net assets:		
Invested in property and equipment (note 15)	12,185,233	12,773,269
Unrestricted (deficiency)	72,618	(106,718)
	12,257,851	12,666,551

Contingent liabilities (note 13)

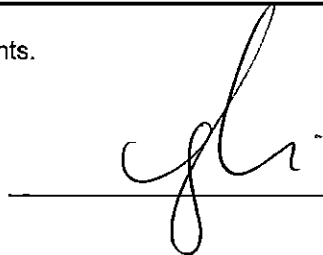
	\$ 28,929,649	\$ 29,298,932
--	----------------------	----------------------

See accompanying notes to the financial statements.

On behalf of the Board:



Director



Director

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Operations

March 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Ministry of Health (the "Ministry") (note 18)	\$ 16,735,411	\$ 16,018,687
Emergency and on-call funding	3,120,662	2,751,273
Patient related and preferred accommodations	1,821,283	1,539,746
Donations (note 4)	383,352	700,000
Amortization of deferred equipment contributions	281,590	245,740
Recoveries and other income	1,129,702	952,239
	23,472,000	22,207,685
Expenses:		
Salaries and benefits	14,216,356	12,930,048
Supplies and other expenses	4,151,335	4,159,230
Emergency and on-call expenses	3,120,662	2,751,273
Medical and surgical supplies	749,986	670,178
Amortization of equipment	447,905	376,461
Interest and bank charges	21,115	120,042
Medical staff remuneration	383,440	620,220
Drugs	405,666	301,358
	23,496,465	21,928,810
(Deficiency) excess of revenues over expenses	(24,465)	278,875
Other (income) expenses:		
Building amortization	969,215	895,216
Amortization of deferred building contributions	(584,980)	(593,081)
	384,235	302,135
Deficiency of revenues over expenses	\$ (408,700)	\$ (23,260)

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

March 31, 2023	Invested in property and equipment	Unrestricted	Total
Balance, beginning of year, as previously reported	\$ 12,976,651	\$ (106,718)	\$ 12,869,933
Asset retirement obligation, restated for change in accounting standard (note 2)	(203,382)	—	(203,382)
Balance, beginning of year as restated (note 2)	12,773,269	(106,718)	12,666,551
(Deficiency) excess of revenues over expenses (note 15)	(550,550)	141,850	(408,700)
Net change in investment in property and equipment (note 15)	(37,486)	37,486	—
Balance, end of year	\$ 12,185,233	\$ 72,618	\$ 12,257,851

March 31, 2022	Invested in property and equipment	Unrestricted	Total
Balance, beginning of year	\$ 4,446,721	\$ 8,446,472	\$ 12,893,193
(Deficiency) excess of revenues over expenses (note 15)	(432,856)	409,596	(23,260)
Net change in investment in property and equipment (note 15)	8,962,786	(8,962,786)	—
Balance, end of year	\$ 12,976,651	(106,718)	12,869,933

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (408,700)	\$ (23,260)
Items not involving cash:		
Amortization of property and equipment	1,417,120	1,271,677
Amortization of property and equipment contributions	(866,570)	(838,821)
Employee future benefits	(10,300)	(22,100)
	131,550	387,496
Change in non-cash operating working capital:		
Accounts receivable	(920,890)	10,439,151
Inventories	106,040	(57,079)
Prepaid expenses	(18,177)	(7,057)
Accounts payable and accrued liabilities	(162,274)	606,552
Due from related parties	(46,664)	216,641
	(910,415)	11,585,704
Financing:		
Repayment from operating line of credit	—	(554,006)
Repayment of demand instalment loans	—	(9,547,095)
Payments under capital lease obligations	(23,263)	(30,810)
	(23,263)	(10,131,911)
Investing:		
Purchase of investments	(65,284)	(54,033)
Capital:		
Property and equipment acquisitions	(1,064,338)	(1,103,715)
Receipt of deferred property and equipment contributions	1,101,824	999,873
	37,486	(103,842)
(Decrease) increase in cash	(961,476)	1,295,918
Cash, beginning of year	1,486,501	190,583
Cash, end of year	\$ 525,025	\$ 1,486,501

See accompanying notes to the financial statements.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

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, 2023

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"). Effective April 1, 2021 the LHIN's Health System planning and funding functions have transferred to Ontario Health. On February 28, 2022, the H-SAA was amended, extending the term to March 31, 2023. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by Ontario Health. 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, 2023.

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, 2023

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:

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, 2023 and the next required valuation will be as of March 31, 2026.

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 (2022 - 14 years).

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

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, 2023

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.

In addition, the Entity's implementation of Public Accounting Standard *PS 3280 – Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(i) 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 legal obligation to incur retirement costs in relation to a tangible capital asset;
- 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 liability for asbestos removal has been recognized based on the estimated future expenses. The liability for the removal of aboveground fuel tanks has been recognized based on estimated future expenses and post removal care. The increase to the tangible capital assets is being amortized in accordance with the depreciation accounting policies outlined in note 1(c).

2. Change in accounting policy:

On April 1, 2021, the Entity adopted Public Accounting Standard *PS 3280 – Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in the facility owned by the Entity and removal of fuel storage tanks. The standard was adopted on the modified retrospective basis at the date of adoption. No discounting was applied; estimates are assumed to be current day costs.

In accordance with the provisions of this new standard, the Entity reflected the following adjustments at April 1, 2021:

(a) Asbestos abatement:

- A decrease to Opening Net Assets of \$195,989, as a result of the recognition of the liability and accompanying increase in depreciation expense for the period of time since acquisition.
- An increase of \$333,690 to the Buildings capital asset account, representing the original estimate of the obligation as of the date of acquisition, and an accompanying increase of \$195,989 to accumulated amortization, representing increased amortization had the liability originally been recognized.

(b) Fuel storage tanks:

- A decrease in Opening Net Assets of \$7,393, as a result of the recognition of the liability and accompanying increase in depreciation expense for the period of time since acquisition.
- An increase of \$10,561 to the Buildings capital asset account, representing the original estimate of the obligation as of the date of acquisition, and an accompanying increase of \$7,393 to accumulated amortization, representing increased amortization had the liability originally been recognized.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Accounts receivable:

	2023	2022
Ministry of Health	\$ 2,128,093	\$ 1,205,857
HST receivable	177,208	163,283
Insurers and patients	122,979	89,944
Other	128,467	167,691
	2,556,747	1,626,775
Allowance for doubtful accounts	(60,788)	(51,706)
	\$ 2,495,959	\$ 1,575,069

Included in the Ministry of Health receivable is \$59,005 (2022 - \$502,052) for other COVID-19 funding.

4. 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:

	2023	2022
Building rental, maintenance and hydro revenue	\$ 371,450	\$ 354,950
Administration fee, salaries and other revenue	44,250	54,736
Deferred contributions received, nursing home capital funding	241,776	241,776
Due from related parties, non-interest bearing with no specified terms	56,550	9,886

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, 2023

4. 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:

	2022	2021
Financial position:		
Total assets	\$ 1,185,342	\$ 734,486
Total liabilities	\$ 1,021,416	\$ 752,338
Net assets (deficiency)	163,926	(17,852)
	\$ 1,185,342	\$ 734,486
Results of operations:		
Total revenues	\$ 6,640,674	\$ 5,644,746
Total expenses	6,458,896	5,578,767
Excess of revenues over expenses	\$ 181,778	\$ 65,979

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 \$11,286,339 as at March 31, 2023 (2022 - \$12,046,749), total liabilities of \$78,807 (2022 - \$53,826) and net assets of \$10,000,389 (2022 - \$9,953,005) and accumulated remeasurement gain of \$1,207,143 (2022 - gain of \$2,039,918). During the year, the Hospital received donations from the Charity. Transactions and balances with the Charity during the year are as follows:

	2023	2022
Donations from the Charity for operations	\$ 383,352	\$ 700,000
Due from related parties	45,450	45,450

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, 2023

5. Inventories:

Inventory is comprised of:

	2023	2022
Medical supplies	\$ 159,108	\$ 236,162
Drugs	60,729	87,713
Other	—	2,002
	<u>\$ 219,837</u>	<u>\$ 325,877</u>

6. Investments:

	2023	2022
Fixed income	\$ 211,291	\$ 171,134
Equities	165,018	139,891
	<u>\$ 376,309</u>	<u>\$ 311,025</u>

As at March 31, 2023, the cost value of the investments are \$374,481 (2022 - \$309,500). These funds are held for repairs on the Village by the Grand as further described in note 9.

7. Property and equipment:

March 31, 2023	Cost	Accumulated amortization	Net book value
Land – Hospital	\$ 90,754	\$ —	\$ 90,754
Land – Rental	1,588,416	—	1,588,416
Land improvements	519,966	482,503	37,463
Buildings – Hospital	22,901,673	9,487,117	13,414,556
Buildings – Rental	12,999,857	5,380,328	7,619,529
Buildings – Village by the Grand	36,616	—	36,616
Furniture and equipment	14,223,148	12,368,646	1,854,502
Redevelopment costs	129,643	129,643	—
Construction-in-progress	218,157	—	218,157
	<u>\$ 52,708,230</u>	<u>\$ 27,848,237</u>	<u>\$ 24,859,993</u>

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Property and equipment (continued):

March 31, 2022	Cost	Accumulated amortization	Net book value
			(Restated - note 2)
Land – Hospital	\$ 90,754	\$ –	\$ 90,754
Land – Rental	1,588,416	–	1,588,416
Land improvements	515,230	482,224	33,006
Buildings – Hospital	21,825,083	8,856,631	12,968,452
Buildings – Rental	12,999,857	5,054,821	7,945,036
Buildings – Village by the Grand	36,616	–	36,616
Furniture and equipment	13,713,646	11,907,798	1,805,848
Redevelopment costs	129,643	129,643	–
Construction-in-progress	744,647	–	744,647
	\$ 51,643,892	\$ 26,431,117	\$ 25,212,775

8. 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. No balance is drawn as of March 31, 2023 (2022 - \$nil).

9. Accounts payable and accrued liabilities:

	2023	2022
Ministry of Health	\$ 405,199	\$ 492,789
Accounts payable	1,061,377	1,165,858
Government remittances	285,581	199,451
Wages, benefits and other accruals	1,647,868	1,704,201
	\$ 3,400,025	\$ 3,562,299

Included in accounts payable 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, 2023, the balance included in accounts payable was \$380,061 (2022 - \$332,998).

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

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:

2024	\$	50,396
Less interest		(1,783)
Present value of capital lease payments		48,613
Less current portion		(28,764)
Long-term portion	\$	19,849

11. Deferred capital contributions:

	2023	2022
Balance, beginning of year	\$ 12,095,255	\$ 11,934,203
Contributions received:		
Ministry of Health	198,092	220,476
Ministry of Health, nursing home capital funding	241,776	241,776
Dunnville Hospital & Healthcare Foundation	660,936	521,000
Other	1,020	16,621
	13,197,079	12,934,076
Amortization of deferred equipment contributions	(281,590)	(245,740)
Amortization of deferred building contributions	(584,980)	(593,081)
	\$ 12,330,509	\$ 12,095,255

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Employee future benefits:

The Hospital provides extended health care, dental and life insurance benefits to eligible employees. At March 31, 2023, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$236,800 (2022 - \$223,300) of which \$548,400 (2022 - \$558,700) 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, 2023, of the present value of future liabilities was determined using a discount rate of 4.50% (2022 - 3.70%).

ii. Medical costs:

Medical costs were assumed to increase at the rate of 5.60% (2022 - 5.37%) per year.

iii. Dental costs:

Dental costs were assumed to increase at the rate of 5.00% (2022 - 3.00%) per year.

Included in salaries and benefits on the statement of operations is a recovery of \$2,700 (2022 - recovery of \$400) regarding employee future benefits. The amount is comprised of:

	2023	2022
Accrual for service	\$ 17,500	\$ 18,700
Interest on accrued benefits	8,800	7,600
Amortization of actuarial gain	(29,000)	(26,700)
	\$ (2,700)	\$ (400)

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Employee future benefits (continued):

Information about the accrued non-pension obligation and liability as at March 31, 2023, is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ 223,300	\$ 237,000
Current benefit cost	17,500	18,700
Actuarial gain	(5,200)	(18,300)
Interest	8,800	7,600
Benefits paid	(7,600)	(21,700)
Balance, end of year	236,800	223,300
Unamortized actuarial gains	311,600	335,400
Liability for benefits, end of year	\$ 548,400	\$ 558,700

13. Contingent liabilities:

a) Letters of credit:

The Hospital has outstanding standby letters of credit in the amount of \$62,456 (2022 - \$62,456) payable to Haldimand County, issued in connection with projects. No amount has been drawn on these facilities.

b) Employment matters:

Effective June 2019, the Province of Ontario enacted Bill 124 "Protecting a Sustainable Public Sector for future Generations Act, 2019". This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice repealed Bill 124. On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The amounts accrued represent management's best estimate of the obligation of the Entity related to the transfer and these amounts are included in accrued salaries, wages and benefits.

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 \$679,356 (2021 - \$696,666) 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, 2022 indicated the Plan has a 17% surplus in disclosed actuarial assets.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Net assets invested in capital assets:

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

	2023	2022
		(Restated - note 2)
Property and equipment	\$ 24,859,993	\$ 25,212,775
Asset retirement obligation restatement due to change in standard (note 2)	(344,251)	(344,251)
Amounts financed by:		
Deferred capital contributions	(12,330,509)	(12,095,255)
	<u>\$ 12,185,233</u>	<u>\$ 12,773,269</u>

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

	2023	2022
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions related to property and equipment	\$ 866,570	\$ 838,821
Amortization of property and equipment	(1,417,120)	(1,271,677)
	<u>\$ (550,550)</u>	<u>\$ (432,856)</u>
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 1,064,338	\$ 1,103,715
Amounts funded by deferred capital contributions	(1,101,824)	(999,873)
Amounts financed by demand loans	–	8,858,944
	<u>\$ (37,486)</u>	<u>\$ 8,962,786</u>

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Asset retirement obligations:

The Entity's asset retirement obligation consists of several obligations as follows:

(a) Asbestos abatement

The Entity owns and operates a facility that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of Public Accounting Standard *PS 3280 – Asset Retirement Obligations*, the Entity has recognized an obligation of \$333,690 relating to the removal and post-removal care of the asbestos in these buildings. Estimates include the removal, transportation and disposal of asbestos-containing building materials.

Fuel storage tanks

The Entity has two above ground fuel storage tanks in use. Estimated cost for the removal and decommissioning of the fuel tanks is based on industry standard. Following the adoption of Public Accounting Standard *PS 3280 – Asset Retirement Obligations*, the Entity has recognized an obligation of \$10,561 relating to the removal and decommissioning of the fuel tanks.

17. 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.

(a) 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 2022.

(b) 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, 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 allowance for doubtful accounts as at March 31, 2023 is \$60,788 (2022 - \$51,706). 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 2022.

HALDIMAND WAR MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Financial risks (continued):

(c) 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 2022.

18. Ministry of Health pandemic funding:

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. 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; and,
- The purchase of equipment and supplies, the hiring of additional staff, and implemented staff retention strategies, in order to create capacity for pandemic response.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. At this time, as with many organizations, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. 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:

Funding for COVID-19 operating expenses	\$ 454,620
---	------------

19. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to profit or loss or equity as a result of reclassification.