

**THE WEST HALDIMAND GENERAL HOSPITAL**

**FINANCIAL STATEMENTS**

**For the year ended March 31, 2019**

# **THE WEST HALDIMAND GENERAL HOSPITAL**

**For the year ended March 31, 2019**

## **INDEX**

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Remeasurement Gains and Losses	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 14

## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of  
**The West Haldimand General Hospital**

### Opinion

We have audited the financial statements of The West Haldimand General Hospital (the 'Entity'), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, remeasurement gains and losses, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information - Annual Report

Management is responsible for the annual report. The annual report comprises the report of the board of directors and other management reports, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the annual report when it becomes available and, in doing so, consider whether the annual report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these 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 relating 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.

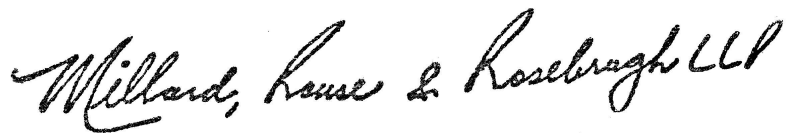
## **Auditors' Responsibilities for the Audit of the Financial Statements**

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 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.

We 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.



May 27, 2019  
Hagersville, Ontario

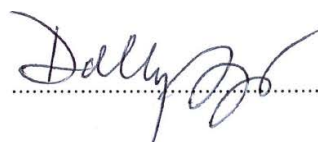
CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants


# THE WEST HALDIMAND GENERAL HOSPITAL

## STATEMENT OF FINANCIAL POSITION

As at March 31	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	398,478	151,844
Investments at market value (Note 4)	489,324	473,724
Accounts receivable (Note 5)	432,518	559,155
Supplies inventory	78,251	80,767
Prepaid expenses	471,380	373,695
	1,869,951	1,639,185
<b>Capital Assets (Note 6)</b>	7,289,535	7,364,304
	9,159,486	9,003,489
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,330,821	1,292,754
Accrued expenses	719,245	698,105
Deferred revenue	20,100	20,100
	2,070,166	2,010,959
<b>Long Term Liabilities</b>		
Employee future benefits (Note 8)	538,841	523,437
Deferred capital contributions (Note 9)	5,879,893	5,879,970
	8,488,900	8,414,366
Net assets from operations (Page 4)	645,461	571,792
Net assets from remeasurement gains/losses (Page 5)	25,125	17,331
	670,586	589,123
	9,159,486	9,003,489

Approved on behalf of the Board of Directors

 Director

 Director

See accompanying notes

# THE WEST HALDIMAND GENERAL HOSPITAL

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31	2019	2018
<b>Balance - Beginning of Year (Excluding Financial Instruments Cumulative Gains)</b>	571,792	847,984
Excess of revenue over expenses	73,669	(276,192)
<b>Balance - End of Year</b>	<b>645,461</b>	<b>571,792</b>

# THE WEST HALDIMAND GENERAL HOSPITAL

## STATEMENT OF REMEASUREMENT GAINS AND LOSSES

<b>For the year ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Accumulated Remeasurement Gains (Losses) - Beginning of Year</b>	17,331	40,991
Unrealized gains/(losses) attributable to investments	7,794	(23,660)
<b>Accumulated Remeasurement Gains (Losses) - End of Year</b>	<b>25,125</b>	<b>17,331</b>

# THE WEST HALDIMAND GENERAL HOSPITAL

## STATEMENT OF OPERATIONS

For the year ended March 31	2019	2018
<b>Revenue</b>		
Ministry of Health and Long Term Care	12,133,205	11,849,412
Emergency department physician funding	1,597,427	1,601,817
Patient revenue	813,907	792,429
Other revenue	425,451	474,670
Amortization of deferred contributions related to capital assets	245,112	269,873
	15,215,102	14,988,201
<b>Expenses</b>		
Salaries, wages and purchased services	7,167,416	7,307,942
Employee benefits	2,186,729	2,153,722
Emergency department physician expenses	1,597,427	1,601,817
Medical staff remuneration	555,275	555,667
Medical and surgical supplies	256,795	246,773
Drugs	157,824	142,045
Supplies and other expenses	2,740,363	2,755,690
Amortization of capital assets	376,879	396,370
	15,038,708	15,160,026
<b>Excess (Deficiency) of Operating Revenue Over Expenses Before Undernoted Items</b>	176,394	(171,825)
<b>Facility Amortization</b>		
Amortization expense	(475,875)	(442,503)
Amortization of deferred capital contributions	373,150	338,136
	(102,725)	(104,367)
<b>Excess of Revenue over Expenses</b>	73,669	(276,192)

See accompanying notes



# THE WEST HALDIMAND GENERAL HOSPITAL

## STATEMENT OF CASH FLOWS

For the year ended March 31	2019	2018
<b>Cash Flows From Operating Activities</b>		
Excess (Deficiency) of revenue over expenses	73,669	(276,192)
Items not requiring (not providing) cash from operations:		
Facility amortization expense	475,875	442,503
Amortization of capital assets	376,879	396,370
Facility amortization of deferred capital contributions	(373,150)	(338,136)
Amortization of deferred contributions related to capital assets	(245,112)	(269,873)
	308,161	(45,328)
<b>Changes in the Following Operational Balances:</b>		
Accounts receivable	126,637	(119,930)
Inventories	2,516	(3,444)
Prepaid expenses	(97,685)	(45,210)
Accounts payable	38,067	(1,040,838)
Accrued expenses	21,139	68,805
Employee future benefits	15,404	8,875
Deferred revenue	-	20,100
	414,239	(1,156,970)
<b>Cash Flows From Investing Activities</b>		
Sale (Purchase) of investments	(7,806)	297,452
Purchase of capital assets	(777,985)	(1,253,530)
	(785,791)	(956,078)
<b>Cash Flows From Financing Activities</b>		
Increase in deferred capital contributions related to capital assets	618,186	1,076,473
<b>Net Decrease in Cash and Cash Equivalents</b>	246,634	(1,036,575)
<b>Cash and Cash Equivalents - Beginning of Year</b>	151,844	1,188,419
<b>Cash and Cash Equivalents - End of Year</b>	398,478	151,844

Cash and cash equivalents consist of cash on hand and the bank accounts.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 1. PURPOSE OF ORGANIZATION

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The West Haldimand General Hospital was established as a not-for-profit corporation by Letters Patent dated January 11, 1960. The hospital is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements are met. The hospital provides comprehensive health services primarily, but not limited to, the Haldimand County and its surrounding communities, both urban and rural.

### 2. HOSPITAL OPERATIONS

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The Hospital is funded primarily by the Local Health Integrated Network (LHIN) in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care (MOHLTC). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital.

In 2008/2009, the Hospital entered into a Hospital Service Accountability Agreement (H-SAA) with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). On April 1, 2018, the H-SAA was amended, extending the term to March 31, 2019. The H-SAA sets out the funding provided to the Hospital together with the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and include the following significant accounting policies.

#### (a) Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include donations and government grants. All other revenue is recognized when the service is provided or the goods are sold.

Under the Health Insurance Act Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health. 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 relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry of Health with respect to the year end March 31, 2019.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital asset.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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(b) **Presentation**

These financial statements do not include the assets, liabilities and activities of other organizations, such as the West Haldimand General Hospital Auxiliary and the West Haldimand Hospital and Healthcare Foundation, which, although related to the Hospital, are not operated by it.

(c) **Cash and Cash Equivalents**

The Hospital's policy is to present bank balances, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, under cash and cash equivalents.

(d) **Financial Instruments**

The Hospital classified its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

**Fair Value**

This category includes cash and cash equivalents which is initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

**Amortized Cost**

This category includes accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

(e) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 reported amounts of revenues and expenses during the period. In estimating the net realizable value of the accounts receivable and in estimating accrued liabilities, the Hospital incorporates general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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(f) **Supplies Inventory**

Inventories are valued at the lower of cost and replacement value with cost determined on the first-in, first-out basis.

(g) **Investments**

Realized gains and losses are reported in the statement of operations while unrealized gains and losses are included in the statement of remeasurement gains and losses until the asset is removed from the statement of financial position.

(h) **Capital Assets**

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	20 to 40 years
Building service equipment	8 to 20 years
Land improvements	10 years
Major equipment	3 to 20 years

(i) **Renovations**

The costs of renovations to the hospital building which significantly increase its useful life and capacity are capitalized as part of the cost of the related capital assets. Renovation costs to adapt the hospital building to changed operating conditions or to maintain normal operating efficiency are expensed as incurred.

Capital projects not completed at year end, are capitalized under Work in Progress.

(j) **Capital and Building Grants and Donations**

Capital and building grants and donations received by the Hospital are deferred and amortized on a straight-line basis at rates corresponding with the amortization rates for the related equipment or building.

(k) **Employee Future Benefits**

The Hospital provides post-employment benefits, including health and dental premiums, to certain employees. The cost of post-employment benefits related to employees' current service is charged to income annually. The cost of benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement age and expected health care and dental costs. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees. The Hospital uses the corridor method in which the excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

(l) **Contributed Services**

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

4. INVESTMENTS	Cost 2019	Market 2019	Cost 2018	Market 2018
Investments	464,199	489,324	456,393	473,724

Investments are comprised of mutual and segregated funds.

5. ACCOUNTS RECEIVABLE	2019	2018
Due from Foundation	161,093	99,035
Other receivables	297,132	491,514
	458,225	590,549
Less: Allowance for doubtful accounts	25,707	31,394
	432,518	559,155

6. CAPITAL ASSETS	Cost	Accumulated Amortization	2019	2018
Land	11,439	-	11,439	11,439
Land improvements	75,483	2,262	73,221	74,729
Building	6,945,027	5,212,036	1,732,991	1,759,559
Building service equipment	6,529,292	2,257,920	4,271,372	4,350,692
Major equipment, software licence	9,159,852	8,046,136	1,113,716	1,167,885
Work in progress	86,796	-	86,796	-
	22,807,889	15,518,354	7,289,535	7,364,304

## 7. AVAILABLE FINANCING

The Hospital has an operating line available for its use at a rate of prime less 0.5% of \$1,000,000. As of March 31, 2019, the Hospital has not drawn down against this operating line.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 8. EMPLOYEE FUTURE BENEFITS

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At March 31, 2019, the Hospital's accrued benefit obligation relating to post-retirement benefits plans is \$538,841 (2018 - \$523,437). The most recent actuarial valuation of the employee future benefits for funding purposes was performed as at March 31, 2019. The significant assumptions adopted in estimating the Hospital's accrued benefit obligation for employee future benefits are as follows:

Discount rate to determine accrued benefit obligation for disclosure	3.56%
Dental trend rates	4.00%
Health care initial trend rate	8.00%
Health care ultimate trend rate	5.00%

Employee future benefit expense for the year ended March 31, 2019 is \$40,067 (2018 - \$37,582). Benefits paid during the year amounted to \$24,664 (2018 - \$28,707).

### 9. DEFERRED CAPITAL CONTRIBUTIONS

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Deferred capital contributions received during the year represent donated funds from the Foundation of \$133,122 (2018 - \$82,334), the Auxiliary of \$22,975 (2018 - \$nil), Hospital Infrastructure Renewal Fund grants of \$450,371 (2018 - \$552,525), Ontario Telemedicine Network of \$11,717 (2018 - \$nil), and Hospital Energy Efficiency Program grants of \$nil (2018 - \$441,614). The changes in the deferred capital contributions balance for the year are as follows:

	Donations	Grants	Total 2019	Total 2018
<b>Balance - Beginning of Year</b>	835,651	5,044,319	5,879,970	5,411,506
Contributions received during the year	156,097	462,089	618,186	1,076,473
	991,748	5,506,408	6,498,156	6,487,979
Amortization	204,744	413,519	618,263	608,009
<b>Balance - End of Year</b>	<b>787,004</b>	<b>5,092,889</b>	<b>5,879,893</b>	<b>5,879,970</b>

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### 10. PENSION PLAN

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Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer final average pay contributory pension plan. Contributions to the plan made during the year by the Hospital on behalf of the employees amounted to \$553,020 (2018 - \$554,131) and are included in the employee benefits in the Statement of Operations.

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 11. RELATED PARTY TRANSACTIONS

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The Hospital holds an economic interest in the West Haldimand Hospital and Healthcare Foundation and in The West Haldimand General Hospital Auxiliary. Both of these organizations raise their funds through various activities to support projects of The West Haldimand General Hospital.

### 12. FINANCIAL INSTRUMENT CLASSIFICATION

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The Hospital's financial instruments are initially recognized at fair value and then subsequently measured as follows:

<b>Assets/Liabilities</b>	<b>Measurement Category</b>
Cash	Fair Value
Investments	Fair Value
Accounts Receivable	Amortized Cost
Accounts Payable and Accrued Liabilities	Amortized Cost

The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments in the fair value measurement category:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash and investments are measured as Level 1 financial instruments.

### 13. FINANCIAL INSTRUMENTS

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The Hospital has identified the following financial risks:

#### **Credit Risk**

The Hospital's exposure to credit risk relates to its accounts receivable. The risk of significant credit loss is considered remote.

#### **Interest Rate Risk**

The Hospital's exposure to interest rate risk relates to its short term investments and their employee future benefits. (See Note 4 and Note 8).

# THE WEST HALDIMAND GENERAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2019

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### 14. ECONOMIC DEPENDENCE

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The Hospital received 79.7% of its revenue for the year ended March 31, 2019 (2018 - 79.1%) from the Ministry of Health and Long Term Care / Local Health Integration Network.