

West Haldimand General Hospital
Financial Statements
For the Year Ended March 31, 2023

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Independent Auditor's Report

To the Board of Directors of West Haldimand General Hospital

Opinion

We have audited the financial statements of West Haldimand General Hospital (the Entity), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets, accumulated 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 and other explanatory information.

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, its remeasurement gains and losses, its change in net assets 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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



Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that certain comparative information presented for the year ended March 31, 2022 has been restated.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants


Brantford, Ontario

June 23, 2023

West Haldimand General Hospital Statement of Financial Position

| March 31 | 2023 | 2022 |
|--|----------------------|----------------------|
| | | (Restated) |
| Assets | | |
| Current | | |
| Cash | \$ - | \$ 1,033,196 |
| Investments (Note 3) | 335,468 | 336,000 |
| Accounts receivable (Note 4) | 1,544,462 | 1,690,453 |
| Due from related party (Note 10) | 13,118 | 236,039 |
| Inventories | 104,068 | 92,267 |
| Prepaid expenses | 684,116 | 601,797 |
| | <u>2,681,232</u> | <u>3,989,752</u> |
| Investments (Note 3) | 124,066 | 122,958 |
| Capital assets (Note 2) (Note 5) | <u>9,663,881</u> | <u>8,675,978</u> |
| | <u>\$ 12,469,179</u> | <u>\$ 12,788,688</u> |
| Liabilities and Net Assets (Deficit) | | |
| Current | | |
| Bank indebtedness (Note 6) | \$ 150,206 | \$ - |
| Accounts payable and accrued liabilities (Note 7) | 3,413,986 | 2,943,837 |
| Deferred revenue | <u>7,941</u> | <u>72,322</u> |
| | <u>3,572,133</u> | <u>3,016,159</u> |
| Employee future benefits (Note 8) | 600,947 | 567,169 |
| Deferred contributions for capital assets (Note 9) | 9,738,405 | 7,934,937 |
| Asset retirement obligation (Note 11) | <u>871,625</u> | <u>852,862</u> |
| | <u>14,783,110</u> | <u>12,371,127</u> |
| Net assets (deficit) | <u>(2,319,051)</u> | <u>405,132</u> |
| Accumulated remeasurement gains | <u>5,120</u> | <u>12,429</u> |
| | <u>(2,313,931)</u> | <u>417,561</u> |
| | <u>\$ 12,469,179</u> | <u>\$ 12,788,688</u> |


Julie Richardson, Board Chair


Haley McIntosh, Treasurer

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

West Haldimand General Hospital Statement of Changes in Net Assets

| For the year ended March 31 | 2023 | 2022 |
|--|----------------------|-------------------|
| | | (Restated) |
| Net assets, beginning of the year (Note 2) | \$ 405,132 | \$ 646,216 |
| Deficiency of revenues over expenses | <u>(2,724,183)</u> | <u>(241,084)</u> |
| Net assets (deficit), end of the year | <u>\$(2,319,051)</u> | <u>\$ 405,132</u> |

West Haldimand General Hospital Statement of Remeasurement Gains and Losses

| For the year ended March 31 | 2023 | 2022 |
|--|-----------------|------------------|
| Accumulated remeasurement gains, beginning of the year | \$ 12,429 | \$ 22,896 |
| Unrealized losses attributable to investments | <u>(7,309)</u> | <u>(10,467)</u> |
| Accumulated remeasurement gains, end of the year | <u>\$ 5,120</u> | <u>\$ 12,429</u> |

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

West Haldimand General Hospital Statement of Operations

| For the year ended March 31 | 2023 | 2022 |
|--|-----------------------|---------------------|
| | | (Restated) |
| Revenue | | |
| Ministry of Health | \$ 14,078,462 | \$ 14,443,259 |
| Emergency department physician funding | 2,585,961 | 1,987,902 |
| Patient revenue | 940,391 | 890,741 |
| Other revenue | 711,109 | 724,530 |
| Amortization of deferred contributions related to capital assets | 354,292 | 302,831 |
| | <u>18,670,215</u> | <u>18,349,263</u> |
| Expenses | | |
| Salaries and wages | 10,234,405 | 8,893,474 |
| Benefit contributions | 2,558,172 | 2,555,575 |
| Emergency department physician expenses | 3,134,860 | 1,959,640 |
| Medical staff remuneration | 679,657 | 641,754 |
| Medical and surgical supplies | 286,976 | 382,653 |
| Drugs | 235,894 | 196,973 |
| Supplies and other expenses | 3,580,003 | 3,345,442 |
| Amortization of capital assets | 567,334 | 510,131 |
| | <u>21,277,301</u> | <u>18,485,642</u> |
| Deficiency of revenues over expenses before facility amortization, deferred contributions and accretion expense | <u>\$ (2,607,086)</u> | <u>\$ (136,379)</u> |
| Facility amortization | (610,965) | (572,629) |
| Amortization of deferred contributions related to facility (Note 2) | 512,631 | 486,283 |
| Accretion expense (Note 2) | <u>(18,763)</u> | <u>(18,359)</u> |
| | <u>(117,097)</u> | <u>(104,705)</u> |
| Deficiency of revenue over expenses | <u>\$ (2,724,183)</u> | <u>\$ (241,084)</u> |

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

West Haldimand General Hospital Statement of Cash Flows

| For the year ended March 31 | 2023 | 2022 |
|--|---------------------|---------------------|
| | | (Restated) |
| Cash flows from (used in) operating activities | | |
| Deficiency of revenues over expenses | \$ (2,724,183) | \$ (241,084) |
| Items not affecting cash: | | |
| Amortization of capital assets | 567,334 | 510,131 |
| Facility amortization expense | 610,965 | 572,629 |
| Amortization of deferred capital contributions related to facility | (512,631) | (486,283) |
| Amortization of deferred capital contributions related to capital assets | (354,292) | (302,831) |
| Accretion expense | 18,763 | 18,359 |
| | <u>(2,394,044)</u> | 70,921 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 145,991 | 424,546 |
| Inventories | (11,801) | 8,999 |
| Due from related party | 222,922 | (27,484) |
| Prepaid expenses | (82,319) | (63,301) |
| Accounts payable | 101,830 | 193,747 |
| Accrued expenses | 368,319 | 147,992 |
| Employee future benefits | 33,778 | 29,874 |
| Deferred revenue | (64,382) | 72,322 |
| | <u>(1,679,706)</u> | 857,616 |
| Cash flows used in investing activities | | |
| Purchase of investments | (7,886) | (7,064) |
| Purchase of capital assets | (2,166,201) | (865,125) |
| | <u>(2,174,087)</u> | (872,189) |
| Cash flows from financing activities | | |
| Increase in deferred capital contributions related to capital assets | 2,670,391 | 1,561,712 |
| Net (decrease) increase in cash | (1,183,402) | 1,547,139 |
| Cash (bank indebtedness), beginning of the year | 1,033,196 | (513,943) |
| Cash (bank indebtedness), end of the year | <u>\$ (150,206)</u> | <u>\$ 1,033,196</u> |

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

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization

West Haldimand General Hospital ("WHGH") is a not-for-profit organization incorporated without share capital under the laws of Ontario. WHGH is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

WHGH was established by Letters Patent dated January 11, 1960.

WHGH provides comprehensive health services primarily, but not limited to, the Haldimand County and its surrounding communities, both urban and rural.

Basis of Accounting and Presentation

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) including accounting standards that apply only to government not-for-profit organizations.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in a high interest savings account.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory consists of food, drugs, and lab supplies held for patient care used in WHGH's operations.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization and costs associated with asset retirement obligation. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed as incurred. Betterments which extend the estimated life of an asset are capitalized. Capital projects not completed at year end are capitalized under Work in Progress and are amortized when they are substantially complete and ready for productive use.

When conditions indicate a tangible capital asset no longer contributes to WHGH's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

Capital assets are amortized on a straight-line basis using the following annual rates, as provided by the Ministry guidelines:

| | Rate |
|----------------------------|----------------|
| Building | 10 to 40 years |
| Building service equipment | 8 to 20 years |
| Land improvements | 5 to 20 years |
| Major equipment | 3 to 20 years |
| Software licenses | 3 years |

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Post-retirement and Employment Benefits

WHGH provides post-employment benefits, including health-care, dental and life insurance benefits to certain employees. WHGH has adopted the following policies with respect to the accounting for these employee benefits.

(i) The costs of post-employment benefits related to employees' current service is charged to income annually.

ii) The cost of benefit 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 expensed as incurred.

iii) Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

(iv) The discount rate used in the determination of the above-mentioned liabilities is determined by using the cost of borrowing as provided by the Ministry of Health as at the date of the full valuation.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition

WHGH follows the deferral method of accounting for contributions which include donations and government grants.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from Provincial Insurance Plans, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

Amortization of buildings is not funded by the OH and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Parking and rental revenues are recognized when the service is provided.

Restricted investment income that is not externally restricted is recognized as revenue in the statement of operations in the year in which the related expenses are incurred. Unrestricted investment is recognized as revenue when earned.

Under the Health Insurance Act and Regulations thereto, WHGH is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("Ministry") and Ontario Health ("OH"). WHGH has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2023 with the Ministry and OH that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to WHGH by the Ministry/OH. The H-SAA also sets out the performance standards and obligations of WHGH that establish acceptable results for WHGH's performance in a number of areas. 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/OH with respect to the year ended March 31, 2023.

West Haldimand General Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments

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

Fair Value

This category is comprised of cash and cash equivalents, bank indebtedness and investments. They are initially measured at cost and subsequently carried at fair value with changes in fair value recognized in the statement of re-measurement 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 the 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, due from related party, 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, except financial contributions, which are recognized at fair value.

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

Write-downs 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 write-down being recognized in the statement of operations.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amortization of capital assets is based on the estimates of useful service life. Actual results could differ from management's best estimates as additional information becomes available in the future.

The revenue recognized from the Ministry and the OH requires some estimation. The hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided by the Hospital by the Ministry and the OH for the year ended March 31, 2023. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and the OH have the right to adjust funding received by the Hospital. Neither the Ministry nor the OH are required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry and OH funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a 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 is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Contributed Services

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

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

2. Change in Accounting Policy

Effective April 1, 2022 WHGH adopted a new Public Sector Accounting Standard, 3280 Asset Retirement Obligations (refer to Note 11 for further details). As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires a liability to be recognized as there is a legal obligation to incur retirement costs. This change in accounting policy has been applied using the modified retroactive approach with restatement of prior periods.

The impact of adoption of this standard was as follows:

| | 2022 |
|---|---------------|
| Increase in tangible capital assets | \$ 376,309 |
| Decrease in opening accumulated surplus | 458,194 |
| Increase in asset retirement obligation | 834,503 |
| Increase in accumulated amortization | 15,052 |
| Increase in accretion expense | 18,359 |
| Increase in facility amortization | <u>15,052</u> |

3. Investments

| | 2023 | 2022 |
|------------|-------------------|-------------------|
| Short-term | \$ 335,468 | \$ 336,000 |
| Long-term | <u>124,066</u> | <u>122,958</u> |
| | <u>\$ 459,534</u> | <u>\$ 458,958</u> |

Short-term and long-term investments consist of mutual funds. The short-term and long-term investments have a cost of \$368,123 (2022 - \$363,199) and \$86,291 (2022 - \$83,330) respectively.

4. Accounts Receivable

| | 2023 | 2022 |
|---------------------------------|---------------------|---------------------|
| Ministry of Health | \$ 732,050 | \$ 846,598 |
| Patients | 607,508 | 508,970 |
| Allowance for doubtful accounts | (83,367) | (54,629) |
| Harmonized Sales Tax (HST) | 155,505 | 299,000 |
| Other receivables | 128,679 | 71,342 |
| Government remittances | <u>4,087</u> | <u>19,172</u> |
| | <u>\$ 1,544,462</u> | <u>\$ 1,690,453</u> |

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

5. Capital Assets

| | 2023 | | 2022 | |
|----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 11,439 | \$ - | \$ 11,439 | \$ - |
| Land improvements | 291,259 | 47,266 | 275,601 | 20,282 |
| Building | 8,555,265 | 6,016,372 | 8,410,988 | 5,787,602 |
| Building service equipment | 8,079,004 | 3,631,195 | 6,927,781 | 3,273,759 |
| Major equipment | 12,018,219 | 9,776,079 | 11,266,312 | 9,214,772 |
| Software license | 157,156 | 157,156 | 157,156 | 153,354 |
| Work in progress | 179,607 | - | 76,470 | - |
| | <u>29,291,949</u> | <u>19,628,068</u> | <u>27,125,747</u> | <u>18,449,769</u> |
| | | <u>\$ 9,663,881</u> | | <u>\$ 8,675,978</u> |

6. Bank Indebtedness

WHGH has an operating line available for its use at a rate of prime less 0.5% of \$1,000,000. During the year, there were temporary increases on the line of credit limit starting in January of 2022. The maximum increase in the line of credit limit was during the period of Nov 28, 2022 to December 19, 2022 at a credit limit of \$2,500,000. As at March 31, 2023, the credit limit returned to \$1,000,000. Subsequent to year-end, there was a temporary increase of \$1,350,000 starting on May 30, 2023.

As at year-end, WHGH had drawn \$574,859 (2022 - \$nil) under this facility of \$1,000,000.

7. Accounts Payable and Accrued Liabilities

| | 2023 | 2022 |
|--------------------------------------|---------------------|---------------------|
| Ministry of Health | \$ 213,181 | \$ 150,517 |
| Trade | 1,081,802 | 1,180,745 |
| Other payables | 821,014 | 682,906 |
| Wages, benefits and vacation accrual | <u>1,297,989</u> | <u>929,669</u> |
| | <u>\$ 3,413,986</u> | <u>\$ 2,943,837</u> |

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

8. Post-retirement and Employment Benefits

Pension

Substantially all of the employees of WHGH are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. During the year, employer contributions made by WHGH to the Plan, on behalf of the employees, amounted to \$608,323 (2022 - \$632,678). WHGH contributes to the Plan at a rate of 126% (2021 - 126%) of the employee contributions. These amounts are included in salaries wages and benefits in the Statement of Operations. The most recent actuarial valuation of the Plan, at March 31, 2023, indicates the Plan is 117% (2022 - 120%) funded.

Non-Pension

Certain employees of WHGH are entitled to certain post-employment benefits. WHGH recognized the present value of its obligation from these benefits as they are earned. At March 31, 2023 the WHGH's accrued benefit obligation relating to post-retirement benefits plans is \$600,947 (2022 - \$567,169). The most recent actuarial valuation of the employee future benefits for funding purposes was performed as at March 31, 2023. The significant assumptions adopted in estimating WHGH's accrued benefit obligation for employee future benefits are as follows:

| | |
|---------------------------------|----------------------|
| Discount rate | 4.04% (2022 - 3.29%) |
| Dental trend rates | 4.00% (2022 - 4.00%) |
| Health care initial trend rate | 6.00% (2022 - 8.00%) |
| Health care ultimate trend rate | 4.00% (2022 - 5.00%) |

Included in salaries, wages and employee benefits in the Statement of Operations is an expense of \$49,611 (2022 - \$45,893) regarding future employee benefits.

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Accrued benefit obligation - Beginning of year | \$ 437,804 | \$ 396,530 |
| Current service cost | 44,511 | 43,093 |
| Interest cost | 15,600 | 14,200 |
| Liability gain in the year | (110,609) | - |
| Benefits paid | (15,833) | (16,019) |
| Ending unamortized actuarial experience losses | 229,474 | 129,365 |
| | <u>\$ 600,947</u> | <u>\$ 567,169</u> |

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

9. Deferred Contributions

Deferred contributions related to unamortized portion of capital assets. The balance represents contributions received for capital assets that have been deferred and are being amortized and recognized as revenue at the same rate as the related capital assets are amortized. Changes in deferred contributions balance for the year as follows:

| | Total 2023 | Total 2022 |
|------------------------------------|---------------------|---------------------|
| Opening balance | \$ 7,934,937 | \$ 7,162,427 |
| Add: Donation contributions | 238,269 | 50,000 |
| Add: Grant contributions | 2,432,122 | 1,511,624 |
| Less: Amounts amortized to revenue | (866,923) | (789,114) |
| Ending balance | <u>\$ 9,738,405</u> | <u>\$ 7,934,937</u> |

10. Due from Related Party

The West Haldimand Hospital and Healthcare Foundation ("Foundation") and the West Haldimand General Hospital Auxiliary ("Auxiliary") primarily raise funds to support the Hospital's program and capital needs. The Foundation and Auxiliary are incorporated without share capital under the laws of the Province of Ontario and are charitable organizations registered under the Income Tax Act (Canada). The Hospital is considered to have an economic interest in the Foundation and Auxiliary. Both of these organizations raise their funds through various activities to support projects of the Hospital. During the fiscal year, the Foundation contributed \$168,778 (2022 - \$50,000) and Auxiliary contributed \$37,727 (2022 - \$nil) towards the Hospital's equipment needs.

| | 2023 | 2022 |
|--|------------------|-------------------|
| West Haldimand Hospital and Healthcare Foundation, unsecured, non-interest bearing, with no fixed terms of payment | <u>\$ 13,118</u> | <u>\$ 236,038</u> |

The finance function of the Foundation is provided by staff of the Hospital at a cost of \$nil (2022 - \$nil) and professional fees incurred by the Foundation and Auxiliary are paid for by the Hospital.

The Hospital and Norfolk General Hospital ("NGH") share management services and support. Shared expenses charged to WHGH for the year was \$653,650 (2022 - \$552,599). Included in accounts payable total at year end was \$25,382 (2022 - \$153,425) due to NGH. The Hospital is committed to this shared service agreement until March 31, 2025.

These transactions are recorded at the carrying amount.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

11. Asset Retirement Obligation

The WHGH's financial statements include an asset retirement obligation for asbestos that had been used in the construction of their building. The related asset retirement costs have been capitalized and are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 2.2% (2022 - 2.2%). The estimated total undiscounted future expenditures are \$1,437,806 (2022 - \$1,437,806), which are to be incurred over the remaining useful life of the building. The liability is expected to be settled over a 25 year time period, as the building is renovated.

The carrying amount of the liability is as follows:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Asset retirement obligation, beginning of the year | \$ 852,862 | \$ 834,503 |
| Increase due to accretion expense | 18,763 | 18,359 |
| Asset retirement obligation, end of the year | <u>\$ 871,625</u> | <u>\$ 852,862</u> |

However, the total amount of the liability may change due to uncertainty related to the timing of when the asbestos will be remediated. Management estimates that the total asset retirement obligation liability could range from \$628,878 (2022 - \$615,340) to \$1,208,073 (2022 - \$1,182,068).

The WHGH may be entitled to funding in assisting with the asbestos remediation costs. The amount of funding, if any, is unknown at this time.

12. Commitments and Contingencies

Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is defendant. The Hospital is a subscriber to the Hospital Insurance Reciprocal of Canada. In the opinion of management, the Hospital has appropriate insurance coverage in place. Management believes that the ultimate resolution of any current lawsuits would not have a material effect on the Hospital's financial position.

The Hospital has committed to a Master Planning Services agreement which will result in additional expenditures of \$205,920 to be spent in fiscal 2024.

West Haldimand General Hospital Notes to Financial Statements

March 31, 2023

13. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

| | Fair Value | Amortized Cost |
|--|--------------|-------------------|
| Bank indebtedness | \$ (150,206) | \$ - |
| Investments | 459,534 | - |
| Accounts receivable | - | 1,544,462 |
| Due from related party | \$ - | \$ 13,118 |
| Accounts payable and accrued liabilities | - | (3,413,986) |

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

Level 1 - derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 - derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and liability.

Level 3 - derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash (bank indebtedness) and investments are measured as Level 1 financial instruments.

There were no transfers between levels for the year ended March 31, 2023.

West Haldimand General Hospital Notes to Financial Statements

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14. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to WHGH if a debtor fails to make payments of interest and principal when due. WHGH is exposed to this risk relating to its cash and cash equivalents, due from Foundation and accounts receivable. WHGH holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

WHGH's credit risk is primarily attributable to its receivables. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services provided. Credit risk is mitigated by the financial solvency of the provincial government and highly diversified nature of the patient population.

As at March 31, 2023, \$441,781 (2022 - \$297,653) of accounts receivable were past due.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. WHGH is not exposed to significant currency or equity risk as it does not hold any equity or foreign instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. WHGH is exposed to this through its interest bearing investments. WHGH mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

Liquidity risk

Liquidity risk is the risk that WHGH will not be able to meet its financial obligations as they come due. WHGH manages this risk by forecasting cash flow from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient funds to meet current and foreseeable financial requirements. At year-end, WHGH had a working capital deficiency of \$890,901.

The Hospital prepares a budget and cash forecast to ensure that it has sufficient funds to fulfill its obligations.

There is an increased liquidity risk compared to prior year.