

Financial Statements of

**NORFOLK GENERAL
HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2023

Management Responsibility for Financial Reporting

The financial statements of Norfolk General Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Norfolk General Hospital's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Board and meets periodically with management and the auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee also considers for review and approval by the Board, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by KPMG LLP, in accordance with generally accepted auditing standards.

Dan Hill, CPA, CA, VP of Finance

Frank Gelinias, Finance Committee Chair



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITOR'S REPORT

To the Directors of The Norfolk General Hospital

Opinion

We have audited the financial statements of The Norfolk General 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 (deficit) surplus 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, 2022 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.

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 20, 2023

NORFOLK GENERAL HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

| | 2023 | 2022 (Restated – see note 2) |
|---|----------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 13,121,872 | \$ 11,340,677 |
| Accounts receivable (note 3) | 2,929,504 | 4,415,036 |
| Harmonized sales tax recoverable | 822,335 | 717,939 |
| Inventories (note 4) | 481,506 | 463,691 |
| Prepaid expenses | 778,327 | 508,962 |
| Due from influenced organizations (note 5) | 831,896 | 709,749 |
| | <u>18,965,440</u> | <u>18,156,054</u> |
| Property and equipment (note 6) | 28,050,612 | 24,913,143 |
| Long-term receivable | 135,772 | 135,772 |
| | <u>\$ 47,151,824</u> | <u>\$ 43,204,969</u> |
| Liabilities and Net Deficit | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | \$ 11,140,707 | \$ 10,028,418 |
| Accrued payroll and vacation pay | 6,062,968 | 3,799,872 |
| Deferred revenue (note 8) | 929,458 | 809,785 |
| Term loan (note 9) | 300,407 | 375,438 |
| | <u>18,433,540</u> | <u>15,013,513</u> |
| Deferred capital contributions (note 10) | 23,772,367 | 23,271,204 |
| Employee future benefits (note 11) | 800,374 | 774,709 |
| Asset retirement obligation (note 12) | 6,900,000 | 6,900,000 |
| | <u>31,472,741</u> | <u>30,945,913</u> |
| | 49,906,281 | 45,959,426 |
| Net (deficit) surplus: | | |
| Invested in property and equipment (note 13) | 4,278,245 | 1,641,939 |
| Unrestricted | (7,032,702) | (4,396,396) |
| | <u>(2,754,457)</u> | <u>(2,754,457)</u> |
| Contingencies (note 15) | | |
| | <u>\$ 47,151,824</u> | <u>\$ 43,204,969</u> |

See accompanying notes to the financial statements.

On Behalf of the Board:

Director

Director

NORFOLK GENERAL HOSPITAL

Statement of Operations

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

| | 2023 | 2022 (Restated – see note 2) |
|--|-------------------|------------------------------------|
| Operating revenues: | | |
| Ministry funding | \$ 55,433,185 | \$ 53,442,442 |
| OHIP and patient services revenue | 4,125,835 | 3,937,064 |
| Differential and co-payment revenue | 185,777 | 245,539 |
| Recoveries and other revenue | 3,759,855 | 3,409,608 |
| Amortization of deferred capital contributions | 1,073,608 | 1,130,856 |
| | <u>64,578,260</u> | <u>62,165,509</u> |
| Operating expenses: | | |
| Salaries and wages | 33,277,715 | 29,486,637 |
| Employee benefits | 8,232,135 | 8,715,795 |
| Medical staff remuneration | 8,517,516 | 7,609,086 |
| Medical and surgical supplies | 2,235,630 | 2,299,400 |
| Drugs | 1,212,474 | 1,237,203 |
| Other supplies and expenses (note 14) | 9,459,762 | 8,715,681 |
| Amortization of operating equipment | 1,599,468 | 1,578,078 |
| | <u>64,534,700</u> | <u>59,641,880</u> |
| Excess of operating revenues over expenses | 43,560 | 2,523,629 |
| Other revenue (expense): | | |
| Amortization of deferred capital contributions relating to buildings | 1,294,011 | 1,291,822 |
| Amortization of buildings | (1,337,571) | (1,318,797) |
| | <u>(43,560)</u> | <u>(26,975)</u> |
| Other votes and program revenue (expense): | | |
| Revenue | 1,284,572 | 1,383,431 |
| Expenses | (1,284,572) | (1,383,431) |
| | <u>–</u> | <u>–</u> |
| Excess of revenues over expenses | <u>\$ –</u> | <u>\$ 2,496,654</u> |

See accompanying notes to the financial statements.

NORFOLK GENERAL HOSPITAL

Statement of Changes in Net (Deficit) Surplus

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

| March 31, 2023 | Invested in capital assets | Unrestricted | Total |
|---|-------------------------------|----------------|----------------|
| Net (deficit) surplus, beginning of year | \$ 1,641,939 | \$ (4,396,396) | \$ (2,754,457) |
| (Deficiency) excess of revenues over expenses (note 13(b)) | (569,420) | 569,420 | – |
| Net change in investment in capital assets (note 13(b)) | 3,205,726 | (3,205,726) | – |
| Net (deficit) surplus, end of year | \$ 4,278,245 | \$ (7,032,702) | \$ (2,754,457) |

| March 31, 2022 | Invested in capital assets | Unrestricted | Total |
|---|-------------------------------|----------------|----------------|
| Net (deficit) surplus, beginning of year | \$ 2,649,384 | \$ (7,900,495) | \$ (5,251,111) |
| (Deficiency) excess of revenues over expenses (note 13(b)) | (474,197) | 2,970,851 | 2,496,654 |
| Net change in investment in capital assets (note 13(b)) | (533,248) | 533,248 | – |
| Net (deficit) surplus, end of year | \$ 1,641,939 | \$ (4,396,396) | \$ (2,754,457) |

See accompanying notes to the financial statements.

THE NORFOLK HOSPITAL

Statement of Cash Flows

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

| | 2023 | 2022 |
|--|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenses for the year | \$ — | \$ 2,496,654 |
| Items not involving cash: | | |
| Increase (decrease) in employee future benefits | 25,665 | (7,691) |
| Amortization of property and equipment | 2,937,039 | 2,896,875 |
| Amortization of deferred capital contributions | (2,367,619) | (2,422,678) |
| | 595,085 | 2,963,160 |
| Change in non-cash operating working capital balances: | | |
| Accounts receivable | 1,485,532 | 2,852,533 |
| Harmonized sales tax recoverable | (104,396) | (175,626) |
| Inventories | (17,815) | 18,382 |
| Prepaid expenses | (269,365) | 189,081 |
| Due from influenced organizations | (122,147) | (204,322) |
| Accounts payable and accrued liabilities | 369,685 | 2,494,298 |
| Accrued payroll and vacation pay | 2,263,096 | (202,704) |
| Deferred revenue | 119,673 | 684,521 |
| Cash flow from operating activities | 4,319,348 | 8,619,323 |
| Capital activities: | | |
| Additions to property and equipment | (5,331,904) | (2,952,462) |
| Increase in deferred capital contributions | 2,868,782 | 3,485,710 |
| Cash flow used in capital activities | (2,463,122) | 533,248 |
| Financing activity: | | |
| Repayment of term loan | (75,031) | (81,207) |
| Increase in cash | 1,781,195 | 9,071,364 |
| Cash, beginning of year | 11,340,677 | 2,269,313 |
| Cash, end of year | \$ 13,121,872 | \$ 11,340,677 |

See accompanying notes to the financial statements.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

Norfolk General Hospital (the "Hospital") is incorporated without share capital under the Corporations Act (Ontario) and provides health care and hospital services to residents of Norfolk County and the surrounding communities. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

Significant accounting policies are as follows:

(a) Revenue recognition:

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

The Hospital is funded primarily by the Province of Ontario in accordance with funding policies established by the Ministry of Health (the "Ministry"). 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 base 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 Ontario Health ("OH"). On March 31, 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 OH. 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.

A portion of the Hospital's funding is based on anticipated volumes of certain types of activity. OH may adjust funding after reconciling actual and anticipated volume levels. Given that OH is not required to communicate funding adjustments until after the submission of year end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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 grant relates to a future period, it is deferred and recognized in that subsequent period.

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 the Ontario Health Insurance Plan, preferred accommodation, and marketed services is recognized when the service is provided.

(b) Inventories:

Inventory is valued at the lower of cost or replacement value. Cost is determined using weighted average.

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized on the straight-line basis over their estimated useful lives. Land and rental properties are not amortized, and minor equipment is expensed. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(c) Property and equipment (continued):

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

| Asset | Years |
|----------------------------|---------|
| Land improvements | 3 - 8 |
| Buildings | 10 - 40 |
| Building service equipment | 10 - 20 |
| Equipment | 3 - 15 |
| Computer software | 3 - 5 |

(d) 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:

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

- 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.

(e) Employee future benefits:

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

The Hospital offers extended health, dental and life insurance benefits to certain employee groups upon early retirement. The cost of these retirement benefits are actuarially determined using the projected benefit method prorated on service and incorporates management's best estimate of health care costs, disability recovery rates and discount rates. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2021 and the next required valuation will be as of March 31, 2024.

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 12.0 years (2022 – 13.0 years).

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

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

(ii) Pension:

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

(f) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- 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.

A liability for the removal of asbestos-containing materials in certain hospital facilities and underground fuel tanks owned by the Hospital has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the financial statements are recognized in the Statement of Operations at the time of remediation occurs.

(g) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In determining estimates of accrued liabilities, employee future benefits and asset retirement obligations the Hospital relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) Contributed services and materials:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

2. Change in accounting policies:

On April 1, 2022, the Hospital 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 certain Hospital facilities owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to facilities owned by the Hospital that contain asbestos. The buildings were originally purchased in the 1920's and 1960's. The liabilities were measured as of the date of purchase of the building, when the liability was created. The buildings have an expected useful life of 40 years, and the estimate has not been changed since purchase.

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

- An increase of \$6,900,000 to the buildings capital asset account, representing the original estimate of the obligation, undiscounted, and an accompanying increase of \$6,900,000 to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$6,900,000, representing an estimate of the current obligations.
- A decrease to opening net assets of \$6,900,000, as a result of the recognition of the liability and accompanying increase in amortization expense.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Accounts receivable:

| | 2023 | 2022 |
|---------------------------------------|---------------------|---------------------|
| Ministry of Health | \$ 1,512,675 | \$ 3,182,217 |
| Patient | 631,109 | 381,984 |
| Other | 846,720 | 891,835 |
| Less: allowance for doubtful accounts | (61,000) | (41,000) |
| | <u>\$ 2,929,504</u> | <u>\$ 4,415,036</u> |

Included in the Ministry of Health receivable are amounts due to the Hospital including \$717,202 (2022 - \$1,533,905) for other COVID-19 funding.

4. Inventories:

Inventory is comprised of:

| | 2023 | 2022 |
|----------|-------------------|-------------------|
| Supplies | \$ 250,018 | \$ 247,933 |
| Drugs | 180,952 | 165,222 |
| Food | 50,536 | 50,536 |
| | <u>\$ 481,506</u> | <u>\$ 463,691</u> |

5. Due from influenced organizations:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Due from Norfolk Hospital Nursing Home | \$ 236,317 | \$ 167,531 |
| Due from Norfolk General Hospital Foundation | 595,579 | 542,214 |
| | <u>\$ 831,896</u> | <u>\$ 709,745</u> |

The Norfolk Hospital Nursing Home purchases items such as meals, utilities, housekeeping and administrative services from the Hospital. The total of these purchased services for the year amounted to \$1,495,045 (2022 - \$1,464,009) and is included in recoveries and other revenue on the statement of operations. In addition, the Hospital makes all payments associated with the Norfolk Hospital Nursing Home's capital and operating costs excluding net payroll costs, and then recovers all of these payments from the Nursing Home.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Due from influenced organizations (continued):

The Norfolk General Hospital Foundation from time to time donates funds to the Hospital for the purchase of capital equipment and donor specified operating expenses. During the year, there were donations totaling \$594,273 (2022 - \$750,000) of which \$577,319 (2022 - \$745,867) is for capital and \$19,954 (2022 - \$4,133) for the current year operating expenses. An amount of \$577,319 (2022 - \$538,249) was receivable for capital at year end. The Norfolk General Hospital Foundation purchases administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$204,145 (2022 - \$172,342) and is included in recoveries and other revenue on the statement of operations.

During the year, the Volunteer Association to the Hospital and Norfolk Hospital Nursing Home donated \$32,300 (2022 - \$8,450). Of the total donations, \$30,000 (2022 - \$6,000) is for capital and \$2,300 (2022 - \$2,450) for the current year operating expenses.

6. Property and equipment:

| | | | 2023 | 2022 |
|-------------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 244,101 | \$ — | \$ 244,101 | \$ 244,101 |
| Residential rental properties | 219,923 | — | 219,923 | 219,923 |
| Land improvements | 727,080 | (484,164) | 242,916 | 240,285 |
| Buildings | 27,870,187 | (16,940,867) | 10,929,320 | 10,385,552 |
| Building service equipment | 14,881,812 | (4,452,487) | 10,429,325 | 8,356,095 |
| Equipment | 23,900,219 | (18,447,616) | 5,452,603 | 5,187,103 |
| Computer software | 381,374 | (365,294) | 16,080 | 48,237 |
| Construction in progress | 516,344 | — | 516,344 | 231,847 |
| | \$ 68,741,040 | \$(40,690,428) | \$ 28,050,612 | \$ 24,913,143 |

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$512,188 (2022 - \$472,258), which includes amounts payable for payroll related taxes.

8. Deferred revenue:

| | 2023 | 2022 |
|-------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 809,785 | \$ 125,264 |
| Additions in the current year | 242,886 | 768,714 |
| Utilized in the current year | (123,213) | (84,193) |
| Balance, end of year | \$ 929,458 | \$ 809,785 |

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Term loan:

The Hospital has a \$300,407 (2022 - \$375,438) demand instalment loan with CIBC. The loan bears interest at Canadian prime rate minus 0.5% per annum. CIBC bears the right to require immediate payment. Prior to such demand being made by CIBC, the loan is repayable by equal monthly blended payments of \$7,450 over an amortization period of 10 years.

The Hospital has a \$2,000,000 unsecured operating line of credit as at March 31, 2023 of which \$nil (2022 - \$nil) was drawn. The line of credit bears interest at the prime rate minus 0.5% per annum.

10. Deferred capital contributions:

Deferred capital contributions related to buildings and equipment represent the unspent donations and grants received for the purchase of buildings and equipment, the unamortized portion of contributed buildings and equipment and the unamortized portion of restricted contributions with which buildings and equipment were originally purchased. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance for the period are as follows:

| | 2023 | 2022 |
|--|---------------|---------------|
| Balance, beginning of year | \$ 23,271,204 | \$ 22,208,172 |
| Add capital contributions received in the year from: | | |
| Norfolk General Hospital Foundation | 577,319 | 745,867 |
| Volunteer Association to NGH and NHH | 30,000 | 6,000 |
| Ministry of Health | 2,261,463 | 2,733,843 |
| Other | — | — |
| | 26,139,986 | 25,693,882 |
| Less: amortization for the year | (2,367,619) | (2,422,678) |
| Balance, end of year | \$ 23,772,367 | \$ 23,271,204 |

In light of the continuing COVID-19 pandemic, the Ministry of Health is granting a special onetime exception to carry over unspent 2021-22 Health Infrastructure Renewal Fund ("HIRF") funding into the 2022-23 fiscal year, in order for hospitals to complete their infrastructure renewal projects that have been impacted by this situation. The Hospital is carrying over HIRF funding of \$1,739,263 (2022 - \$238,945) that is included in deferred capital contributions as the underspending was due to COVID-19.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Employee future benefits:

The Hospital provides extended health, dental and life insurance benefits to certain employee groups upon early retirement. The Hospital recognizes these benefits as they are earned during the employee's tenure of service. The accrued benefit liability is determined by an independent actuary, the actuarial valuation was performed as at March 31, 2021.

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 3.21% (2022 – 3.21%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 5.08% (2022 - 5.4%) and decrease by 0.33% per year to an ultimate rate of 3.75% (2022 - 3.75%) per annum.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 3.75% (2022 – 3.75%) per year.

Included in employee benefits on the statement of operations is an amount of \$137,824 (2022 - \$119,740) regarding employee future benefits. The amount is comprised of:

| | 2023 | 2022 |
|----------------------------------|------------|------------|
| Current period benefit cost | \$ 36,793 | \$ 34,950 |
| Interest on accrued benefits | 36,989 | 38,448 |
| Amortization of actuarial losses | 64,042 | 46,342 |
| | \$ 137,824 | \$ 119,740 |

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. 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 | \$ 1,189,975 | \$ 1,244,008 |
| Current period benefit cost | 36,793 | 34,950 |
| Actuarial loss | — | — |
| Interest on accrued benefits | 36,989 | 38,448 |
| Benefits paid | (112,159) | (127,431) |
| Balance, end of year | 1,151,598 | 1,189,975 |
| Unamortized actuarial losses | (351,224) | (415,266) |
| Liability for benefits, end of year | \$ 800,374 | \$ 774,709 |

12. Asset retirement obligation:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities as well as underground fuel tanks on properties owned by the Hospital. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any soil contaminants in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

| | 2023 | 2022 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 6,900,000 | \$ — |
| Adjustment on adoption of PS 3280 asset retirement obligation standard | — | 6,900,000 |
| Opening balance, as restated | 6,900,000 | 6,900,000 |
| Less: obligations settled during the year | — | — |
| Total obligation at March 31 | 6,900,000 | 6,900,000 |
| Less: current portion reported in accounts payable and accrued liabilities | — | — |
| Balance, end of year | \$ 6,900,000 | \$ 6,900,000 |

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Net assets invested in property and equipment:

(a) Net assets invested in property and equipment is calculated as follows:

| | 2023 | 2022 |
|--|---------------|---------------|
| Property and equipment (note 6) | \$ 28,050,612 | \$ 24,913,143 |
| Amounts financed by deferred capital contributions (note 10) | (23,772,367) | (23,271,204) |
| | \$ 4,278,245 | \$ 1,641,939 |

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

| | 2023 | 2022 |
|---|--------------|--------------|
| Excess of expenses over revenues: | | |
| Amortization of deferred capital contributions | \$ 2,367,619 | \$ 2,422,678 |
| Amortization of property and equipment | (2,937,039) | (2,896,875) |
| | \$ (569,420) | \$ (474,197) |
| Net change in investment in property and equipment: | | |
| Purchase of property and equipment | \$ 6,074,508 | \$ 2,952,462 |
| Amounts funded by deferred contributions from: | | |
| Norfolk General Hospital Foundation | (577,319) | (745,867) |
| Volunteer Association | (30,000) | (6,000) |
| Ministry of Health | (2,261,463) | (2,733,843) |
| | \$ 3,205,726 | \$ (533,248) |

14. Other supplies and expenses:

Other supplies and expenses are comprised of:

| | 2023 | 2022 |
|----------------------------|--------------|--------------|
| General and administration | \$ 3,864,084 | \$ 3,476,824 |
| Repairs and maintenance | 2,160,932 | 2,111,057 |
| Non-medical supplies | 1,684,950 | 1,619,873 |
| Utilities | 1,016,212 | 923,548 |
| Professional fees | 733,584 | 584,379 |
| | \$ 9,459,762 | \$ 8,715,681 |

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Contingencies:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2023, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.
- (b) During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.
- (c) On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

16. Norfolk General Hospital Foundation:

The Norfolk General Hospital Foundation (the "Foundation") is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act. Its principal activity is to raise and accumulate funds for donation to the Hospital. The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Hospital has designated the Foundation to receive bequests and donations on its behalf. At March 31, 2023, the Foundation had an unrestricted net asset position of \$2,958,206 (2022 - \$3,033,490), a restricted net asset position of \$613,702 (2022 - \$684,814) and externally restricted endowment funds totaling \$456,438 (2022 - \$450,176).

17. Pension benefits:

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP") which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to \$2,311,852 (2022 - \$2,316,816). These amounts are included in staff benefits expense on the statement of operations.

There are no material past service costs. 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.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

18. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a patient or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Hospital consisting of cash and 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 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. The balance of the allowance for doubtful accounts at March 31, 2023 is \$61,000 (2022 - \$41,000). There have been no significant changes to the credit risk exposure from 2022.

(b) 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.

(c) 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 the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through the operating line of credit and the term loan.

There have been no significant changes to the interest rate risk exposure from 2022.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

18. Financial risks (continued):

(d) Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (“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. To date, the Ministry of Health has provided funding to the Hospital to offsetting pandemic related expenses incurred. The Hospital is closely monitoring its costs and expenditures as future funding is not known and an estimate of the financial effect is not practicable at this time.

19. Haldimand-Norfolk Diabetes Program:

The Haldimand-Norfolk Diabetes Program received funding from the Ministry of \$591,393 (2022 - \$591,393) and incurred expenses of \$588,075 (2022 - \$574,325).

| | 2023 | 2022 |
|------------------|------------|------------|
| Ministry revenue | \$ 591,393 | \$ 591,393 |
| Salaries | 422,644 | 403,409 |
| Benefits | 143,764 | 137,443 |
| Other | 22,926 | 33,473 |
| | 589,334 | 574,325 |
| Surplus | \$ 2,059 | \$ 17,068 |