Financial Statements of

# NORFOLK GENERAL HOSPITAL

And Independent Auditor’s Report thereon

Year ended March 31, 2024

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

Robert Whitenect, Finance Committee Chair

**KPMG LLP**
Commerce Place
21 King Street West, Suite 700
Hamilton, ON 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, 2024
- 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, 2024, 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.

## 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
July 10, 2024

# NORFOLK GENERAL HOSPITAL

Statement of Financial Position

March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 4,888,200 | $ 13,121,872 |
| Accounts receivable (note 3) | 3,497,724 | 2,929,504 |
| Harmonized sales tax recoverable | 658,305 | 822,335 |
| Inventories (note 4) | 500,985 | 481,506 |
| Prepaid expenses | 1,168,887 | 778,327 |
| Due from influenced organizations (note 5) | 1,589,455 | 831,896 |
| | 12,303,556 | 18,965,440 |
| Property and equipment (note 6) | 31,243,199 | 28,050,612 |
| Long-term receivable | 135,772 | 135,772 |
| | $ 43,682,527 | $ 47,151,824 |
| **Liabilities and Net Deficit** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 7) | 9,350,162 | 11,140,707 |
| Accrued payroll and vacation pay | 4,203,604 | 6,062,968 |
| Lease liability (note 6) | 65,106 | – |
| Deferred revenue (note 8) | 596,653 | 929,458 |
| Term loan (note 9) | 226,759 | 300,407 |
| | 14,442,284 | 18,433,540 |
| Deferred capital contributions (note 10) | 25,288,849 | 23,772,367 |
| Lease liability (note 6) | 315,278 | – |
| Employee future benefits (note 11) | 798,159 | 800,374 |
| Asset retirement obligation (note 12) | 7,100,100 | 6,900,000 |
| | 33,502,386 | 31,472,741 |
| | 47,944,670 | 49,906,281 |
| Net deficit: | | |
| Invested in property and equipment (note 13) | 5,954,350 | 4,278,245 |
| Unrestricted | (10,216,493) | (7,032,702) |
| | (4,262,143) | (2,754,457) |
| Contingencies (note 15) | | |
| | $ 43,682,527 | $ 47,151,824 |

See accompanying notes to the financial statements.

On Behalf of the Board:

________________________ Director     ________________________ Director

# NORFOLK GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---|---|
| Operating revenues: | | |
| Ministry funding | $ 61,766,025 | $ 55,433,185 |
| OHIP and patient services revenue | 4,730,568 | 4,125,835 |
| Differential and co-payment revenue | 118,369 | 185,777 |
| Recoveries and other revenue | 3,924,866 | 3,759,855 |
| Amortization of deferred capital contributions | 1,100,598 | 1,073,608 |
| | 71,640,426 | 64,578,260 |
| Operating expenses: | | |
| Salaries and wages | 37,024,786 | 33,277,715 |
| Employee benefits | 9,840,063 | 8,232,135 |
| Medical staff remuneration | 9,212,589 | 8,517,516 |
| Medical and surgical supplies | 2,560,861 | 2,235,630 |
| Drugs | 1,269,839 | 1,212,474 |
| Other supplies and expenses (note 14) | 11,394,950 | 9,459,762 |
| Amortization of operating equipment | 1,588,081 | 1,599,468 |
| | 72,891,169 | 64,534,700 |
| (Deficiency) excess of operating revenues over expenses | (1,250,743) | 43,560 |
| Other revenue (expense): | | |
| Amortization of deferred capital contributions relating to buildings | 1,389,235 | 1,294,011 |
| Amortization of buildings | (1,446,078) | (1,337,571) |
| Asset retirement obligation expense (note 12) | (210,100) | - |
| | (256,943) | (43,560) |
| Other votes and program revenue (expense): | | |
| Revenue | 1,380,013 | 1,284,572 |
| Expenses | (1,380,013) | (1,284,572) |
| | – | – |
| (Deficiency) excess of revenues over expenses | $ (1,507,686) | $ – |

See accompanying notes to the financial statements.

# NORFOLK GENERAL HOSPITAL

Statement of Changes in Net (Deficit) Surplus

Year ended March 31, 2024, with comparative information for 2023

| March 31, 2024 | Invested in capital assets | Unrestricted | Total |
|---|---|---|---|
| Net assets (deficit), beginning of year | $ 4,278,245 | $ (7,032,702) | $ (2,754,457) |
| (Deficiency) excess of revenues over expenses (note 13(b)) | (544,326) | (963,360) | (1,507,686) |
| Net change in investment in capital assets (note 13(b)) | 2,220,431 | (2,220,431) | – |
| Net assets (deficit), end of year | $ 5,954,350 | $ (10,216,493) | $ (4,262,143) |

| March 31, 2023 | Invested in capital assets | Unrestricted | Total |
|---|---|---|---|
| Net assets (deficit), 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 assets (deficit), end of year | $ 4,278,245 | $ (7,032,702) | $ (2,754,457) |

See accompanying notes to the financial statements.

# THE NORFOLK HOSPITAL

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| (Deficiency) excess of revenues over expenses for the year | $ (1,507,686) | $ – |
| Items not involving cash: | | |
| Increase (decrease) in employee future benefits | (2,215) | 25,665 |
| Amortization of property and equipment | 3,034,159 | 2,937,039 |
| Asset retirement obligation expense | 200,100 | – |
| Amortization of deferred capital contributions | (2,489,833) | (2,367,619) |
| | (765,475) | 595,085 |
| Change in non-cash operating working capital balances: | | |
| Accounts receivable | (568,220) | 1,485,532 |
| Harmonized sales tax payable (recoverable) | 164,030 | (104,396) |
| Inventories | (19,479) | (17,815) |
| Prepaid expenses | (390,560) | (269,365) |
| Due from influenced organizations | (757,559) | (122,147) |
| Accounts payable and accrued liabilities | (1,790,545) | 369,685 |
| Lease liability | 380,384 | – |
| Accrued payroll and vacation pay | (1,859,364) | 2,263,096 |
| Deferred revenue | (332,805) | 119,673 |
| Cash flow from operating activities | (5,939,593) | 4,319,348 |
| Capital activities: | | |
| Additions to property and equipment | (6,226,746) | (5,331,904) |
| Increase in deferred capital contributions | 4,006,315 | 2,868,782 |
| Cash flow used in capital activities | (2,220,431) | (2,463,122) |
| Financing activity: | | |
| Repayment of term loan | (73,648) | (75,031) |
| (Decrease) increase in cash | (8,233,672) | 1,781,195 |
| Cash, beginning of year | 13,121,872 | 11,340,677 |
| Cash, end of year | $ 4,888,200 | $ 13,121,872 |

See accompanying notes to the financial statements.

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.

**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.

**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:

**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, 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 14.0 years (2023 – 12.0 years).

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

**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.

## 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, 2023, the Hospital adopted Public Accounting Standard PS 3400 – Revenue. This standard was adopted prospectively from the date of adoption. This new standard provides requirements for the recognition, measurement, presentation, and disclosure of revenue transactions.

The implementation of this standard did not require the Hospital to reflect any adjustments in the financial statements.

## 3. Accounts receivable:

| | 2024 | 2023 |
|---|---|---|
| Ministry of Health | $ 2,384,164 | $ 1,512,675 |
| Patient | 674,918 | 631,109 |
| Other | 507,642 | 846,720 |
| Less: allowance for doubtful accounts | (69,000) | (61,000) |
| | $ 3,497,724 | $ 2,929,504 |

Included in the Ministry of Health receivable are amounts due to the Hospital including $104,945 (2023 - $717,202) for other COVID-19 funding.

## 4. Inventories:

Inventory is comprised of:

| | 2024 | 2023 |
|---|---|---|
| Supplies | $ 285,303 | $ 250,018 |
| Drugs | 170,299 | 180,952 |
| Food | 45,383 | 50,536 |
| | $ 500,985 | $ 481,506 |

## 5. Due from influenced organizations:

| | 2024 | 2023 |
|---|---|---|
| Due from Norfolk Hospital Nursing Home | $ 342,715 | $ 236,317 |
| Due from Norfolk General Hospital Foundation | 469,593 | 595,579 |
| Due from Community Mental Health Addiction Services | 777,147 | – |
| | $ 1,589,455 | $ 831,896 |

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 $1,510,787 (2023 - $1,495,045) 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.

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 $663,718 (2023 - $594,273) of which $657,461 (2023 – $577,319) is for capital and $6,257 (2023 - $19,954) for the current year operating expenses. An amount of $427,990 (2023 - $577,319) 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 $242,250 (2023 - $204,145) 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 $49,102 (2023 - $32,300). Of the total donations, $38,852 (2023 – $30,000) is for capital and $10,250 (2023 - $2,300) for the current year operating expenses.

## 6. Property and equipment:

| | Cost | Accumulated amortization | 2024 Net book value | 2023 Net book value |
|---|---|---|---|---|
| Land | $ 244,101 | $ – | $ 244,101 | $ 244,101 |
| Residential rental properties | 219,923 | – | 219,923 | 219,923 |
| Land improvements | 766,410 | 488,862 | 277,548 | 242,916 |
| Buildings | 29,942,564 | 17,680,420 | 12,262,144 | 10,929,320 |
| Building service equipment | 17,947,614 | 5,154,283 | 12,793,331 | 10,429,325 |
| Equipment | 24,720,264 | 19,716,317 | 5,003,947 | 5,452,603 |
| Computer software | 381,374 | 381,374 | – | 16,080 |
| Construction in progress | 442,205 | – | 442,205 | 516,344 |
| | $ 74,664,455 | $ 43,421,256 | $ 31,243,199 | $ 28,050,612 |

Included in the equipment is cost of network equipment, amounting to $380,384, purchased during the year on a capital lease. The monthly payments as per the lease agreement are $7,486. As at March 31, 2024, the current portion of the relating lease liability is $65,106, while the remaining portion of $315,278 is classified as non-current liability in the statement of financial position.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $621,021 (2023 - $512,188), which includes amounts payable for payroll related taxes.

## 8. Deferred revenue:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 929,458 | $ 809,785 |
| Additions in the current year | 23,521 | 242,886 |
| Utilized in the current year | (356,326) | (123,213) |
| Balance, end of year | $ 596,653 | $ 929,458 |

## 9. Term loan:

The Hospital has a $226,759 (2023 - $300,407) 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, 2024 of which $nil (2023 - $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:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 23,772,367 | $ 23,271,204 |
| Add capital contributions received in the year from: | | |
| Norfolk General Hospital Foundation | 657,461 | 577,319 |
| Volunteer Association to NGH and NHNH | 49,102 | 30,000 |
| Ministry of Health | 3,188,027 | 2,261,463 |
| Other | 111,725 | – |
| | 27,778,682 | 26,139,986 |
| Less: amortization for the year | (2,489,833) | (2,367,619) |
| Balance, end of year | $ 25,288,849 | $ 23,772,367 |

## 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, 2024.

The main actuarial assumptions employed for the valuations are as follows:

(i) Interest (discount rate):

The obligation as at March 31, 2024, of the present value of future liabilities was determined using a discount rate of 3.95% (2023 – 3.21%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 5.00% (2023 - 5.08%) and decrease by 0.33% per year to an ultimate rate of 4.00% (2023 - 3.75%) per annum.

**11. Employee future benefits (continued):**

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 4.00% (2023 – 3.75%) per year.

Included in employee benefits on the statement of operations is an amount of $103,271 (2023 - $137,824) regarding employee future benefits. The amount is comprised of:

| | 2024 | 2023 |
|---|---|---|
| Current period benefit cost | $ 38,734 | $ 36,793 |
| Interest on accrued benefits | 35,895 | 36,989 |
| Amortization of actuarial losses | 28,642 | 64,042 |
| | $ 103,271 | $ 137,824 |

Information about the accrued non-pension obligation and liability as at March 31, 2024, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Accrued benefit obligation: | | |
| Balance, beginning of year | $ 1,151,598 | $ 1,189,975 |
| Current period benefit cost | 38,734 | 36,793 |
| Actuarial loss | 49,920 | – |
| Interest on accrued benefits | 35,895 | 36,989 |
| Benefits paid | (105,486) | (112,159) |
| Balance, end of year | 1,170,661 | 1,151,598 |
| Unamortized actuarial losses | (372,502) | (351,224) |
| Liability for benefits, end of year | $ 798,159 | $ 800,374 |

## 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:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 6,900,000 | $ 6,900,000 |
| Add: Asset retirement obligation expense | 200,100 | – |
| Balance, end of year | $ 7,100,100 | $ 6,900,000 |

## 13. Net assets invested in property and equipment:

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

| | 2024 | 2023 |
|---|---|---|
| Property and equipment (note 6) | $ 31,243,199 | $ 28,050,612 |
| Amounts financed by deferred capital contributions (note 10) | (25,288,849) | (23,772,367) |
| | $ 5,954,350 | $ 4,278,245 |

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

| | 2024 | 2023 |
|---|---|---|
| Excess of expenses over revenues: | | |
| Amortization of deferred capital contributions | $ 2,489,833 | $ 2,367,619 |
| Amortization of property and equipment | (3,034,159) | (2,937,039) |
| | $ (544,326) | $ (569,420) |
| Net change in investment in property and equipment: | | |
| Purchase of property and equipment | $ 6,226,746 | $ 6,074,508 |
| Amounts funded by deferred contributions from: | | |
| Norfolk General Hospital Foundation | (657,461) | (577,319) |
| Volunteer Association | (49,102) | (30,000) |
| Ministry of Health | (3,188,027) | (2,261,463) |
| Other | (111,725) | – |
| | $ 2,220,431 | $ 3,205,726 |

## 14. Other supplies and expenses:

Other supplies and expenses are comprised of**:**

| | 2024 | 2023 |
|---|---|---|
| General and administration | $ 4,175,112 | $ 3,864,084 |
| Repairs and maintenance | 2,833,422 | 2,160,932 |
| Non-medical supplies | 1,890,513 | 1,684,950 |
| Utilities | 1,192,782 | 1,016,212 |
| Professional fees | 1,303,121 | 733,584 |
| | $ 11,394,950 | $ 9,459,762 |

## 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, 2024, 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.

## 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, 2024, the Foundation had an unrestricted net asset position of $3,191,824 (2023 - $2,958,206), a restricted net asset position of $705,009 (2023 - $613,702) and externally restricted endowment funds totaling $464,183 (2023 - $456,438).

## 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 $2,775,498 (2023 - $2,311,852). 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, 2023 indicated the Plan has a 15% surplus in disclosed actuarial assets.

## 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, 2024 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, 2024 is $69,000 (2023 - $61,000). There have been no significant changes to the credit risk exposure from 2023.

(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 2023.

(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 2023.

## 19. Haldimand-Norfolk Diabetes Program:

The Haldimand-Norfolk Diabetes Program received funding from the Ministry of $591,393 (2023 - $591,393) and incurred expenses of $670,982 (2023 - $589,334).

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Ministry revenue | $ | 591,393 | $ | 591,393 |
| Salaries | | 469,689 | | 422,644 |
| Benefits | | 150,049 | | 143,764 |
| Other | | 51,244 | | 22,926 |
| | | 670,982 | | 589,334 |
| (Deficit) surplus | $ | (79,589) | $ | 2,059 |

## 20. Bill 124:

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.

In fiscal 2023, retroactive salary costs totaling $2.0 million were included as an accrual in accounts payable and accrued liabilities in the Statement of Financial Position, and as an expense in salaries and wages in the Statement of Operations based on subsequent settlement amounts and management's estimate of potential settlement amounts.

During fiscal 2024, the Hospital submitted estimates of costs expected to incur based on the settlements. The Ministry provided funding to reimburse the Hospital for the retroactive salary costs incurred. The Hospital recognized $6.3 million in funding revenue, of which $2.8 million pertains to expenses incurred from the previous fiscal year.

The cumulative retroactive salary costs for fiscal years 2024 and prior amounted to $6.9 million. Of this total, $5.2 million was received in fiscal year 2024 (2023 - $1.1 million) as part of the aforementioned $6.3 million funding.