

Financial Statements of

**THE NORFOLK HOSPITAL
NURSING HOME**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Norfolk Hospital Nursing Home

Opinion

We have audited the financial statements of The Norfolk Hospital Nursing Home ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement cash flows and for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our report.

We are independent of the Entity in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

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

The image shows a handwritten signature in black ink that reads "KPMG LLP". Below the signature is a horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 19, 2023

THE NORFOLK HOSPITAL NURSING HOME

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 2,789,170	\$ 2,115,500
Accounts receivable	451,409	204,199
Harmonized sales tax recoverable	17,501	46,639
Prepaid expenses	40,050	13,753
	3,298,130	2,380,091
Property and equipment (note 3)	571,044	615,083
Cash in trust (note 4)	9,252	13,289
	\$ 3,878,426	\$ 3,008,463

Liabilities and Net Deficit

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,200,898	\$ 1,503,500
Due to Norfolk General Hospital (note 5)	236,316	167,535
Current portion of mortgage payable (note 6)	63,944	61,643
	2,501,158	1,732,678
Mortgage payable (note 6)	88,987	152,931
Funds held in trust (note 4)	9,252	13,289
Deferred capital contributions (note 7)	214,249	195,132
Employee future benefits (note 8)	96,165	94,619
Asset retirement obligation (note 9)	1,827,975	1,827,975
Net (deficit) surplus:		
Invested in property and equipment (note 10)	203,864	205,377
Unrestricted	(1,063,224)	(1,213,538)
	(859,360)	(1,008,161)
Contingency (note 14)		
	\$ 3,878,426	\$ 3,008,463

See accompanying notes to the financial statements.

On behalf of the Board:

_____	Director
_____	Director

THE NORFOLK HOSPITAL NURSING HOME

Statement of Operations

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

	2023	2022
Revenues:		
Ministry of Health and Ministry of Long-Term Care:		
Nursing and personal care	\$ 4,434,391	\$ 4,126,533
Program and support	381,570	362,287
Food	321,193	284,931
Accommodation	857,735	572,815
	5,994,889	5,346,566
Resident co-payment	1,100,952	1,285,080
Recoveries and sundry revenue	18,037	509
Interest income	120,015	29,829
Amortization of deferred capital contributions	23,111	24,584
Total revenues	7,257,004	6,686,568
Expenses:		
Nursing and personal care:		
Salaries, wages and benefits	4,431,365	4,077,012
Supplies and other expenses	191,949	220,566
	4,623,314	4,297,578
Program and support:		
Salaries, wages and benefits	213,677	174,022
Supplies and other expenses	118,613	118,559
	332,290	292,581
Food	323,181	296,496
Accommodation (note 11)	1,744,726	1,637,742
	2,067,907	1,934,238
Financial:		
Interest	6,656	8,973
Amortization of property and equipment	78,036	79,328
	84,692	88,301
Total expenses	7,108,203	6,612,698
Excess of revenues over expenses	\$ 148,801	\$ 73,870

See accompanying notes to the financial statements.

THE NORFOLK HOSPITAL NURSING HOME

Statement of Changes in Net Assets

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

March 31, 2023	Invested in property and equipment (note 8)	Unrestricted	Externally restricted	Total
Balance, beginning of year	\$ 205,377	\$(1,213,538)	\$ –	\$(1,008,161)
(Deficiency) excess of revenues over expenses	(54,925)	203,726	–	148,801
Net change in investment in property and equipment	53,412	(53,412)	–	–
Balance, end of year	\$ 203,864	\$(1,063,224)	\$ –	\$ (859,360)

March 31, 2022	Invested in property and equipment (note 8)	Unrestricted	Externally restricted	Total
Balance, beginning of year	\$ 167,769	\$(1,249,800)	\$ –	\$(1,082,031)
(Deficiency) excess of revenues over expenses	(54,744)	128,614	–	73,870
Net change in investment in property and equipment	92,352	(92,352)	–	–
Balance, end of year	\$ 205,377	\$(1,213,538)	\$ –	\$(1,008,161)

See accompanying notes to the financial statements.

THE NORFOLK HOSPITAL NURSING HOME

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 132,009	\$ 73,870
Items not involving cash:		
Increase in employee future benefits	1,546	2,919
Amortization of deferred capital contributions	(23,111)	(24,584)
Amortization of property and equipment	78,036	79,328
	188,480	131,533
Change in non-cash operating working capital balances:		
Accounts receivable	(247,210)	(116,442)
Prepaid expenses	(26,297)	(392)
Accounts payable	697,398	351,318
Deferred revenue	—	(50,715)
Harmonized sales tax recoverable	29,138	1,343
Due to Norfolk General Hospital	85,573	(145,406)
	538,602	39,706
Cash flow from operating activities	727,082	171,239
Capital activities:		
Purchase of equipment	(33,997)	(84,296)
Contributions received for property and equipment	42,228	51,369
Cash flow used in capital activities	8,231	(32,927)
Financing activity:		
Repayment of mortgage payable	(61,643)	(59,425)
Change in cash	673,670	78,887
Cash, beginning of year	2,115,500	2,036,613
Cash, end of year	\$ 2,789,170	\$ 2,115,500

See accompanying notes to the financial statements.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements

Year ended March 31, 2023

The Norfolk Hospital Nursing Home (the "Nursing Home") is incorporated without share capital under the laws of Ontario. The Nursing Home provides healthcare and accommodation to residents of Norfolk County and the surrounding communities. The Nursing Home is exempt from income taxes under the Income Tax Act.

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. No statement of remeasurement gains and losses has been included as there is nothing to report therein.

Significant accounting policies are as follows:

(a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Nursing Home is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Ministry of Long-Term Care (the "Ministries"). 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.

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.

Revenue from the residents' co-insurance, preferred accommodation, and marketed services is recognized when the service is provided and collection is reasonably assured.

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

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(b) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Nursing Home's ability to provide services, its carrying amount is written down to its residual value. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Asset	Method	Years
Buildings	Straight-line method	10 - 40
Equipment	Straight-line method	3 - 10

(c) 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 Nursing Home 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 NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(d) Employee future benefits:

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

The Nursing Home 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.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) Employee future benefits (continued):

(ii) Pension:

Eligible employees of the Nursing Home 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 Nursing Home accounts for contributions made to the plan as a defined contribution plan. Accordingly, contributions are included in salaries and benefits expense in the year the contributions are made.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards for not-for-profit organizations 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 revenue and expenses during the period. Significant items subject to such estimates include the carrying amount of property and equipment, impairment of accounts receivable, estimation of accrued liabilities and valuation of employee future benefits. Actual results could differ from those estimates.

(f) Contributed services and materials:

Volunteers contribute numerous hours to assist the Nursing Home in carrying out certain 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.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Change in accounting policies:

On April 1, 2022, the Nursing Home 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 Nursing Home facilities owned by the Nursing Home. 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 Nursing Home recognized an asset retirement obligation relating to facilities owned by the Nursing Home that contain asbestos. 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 Nursing Home reflected the following adjustments at April 1, 2021:

- An increase of \$1,827,975 to the buildings capital asset account, representing the original estimate of the obligation, undiscounted, and an accompanying increase of \$1,827,975 to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$1,827,975, representing an estimate of the current obligations.
- A decrease to opening net assets of \$1,827,975, as a result of the recognition of the liability and accompanying increase in amortization expense.

3. Property and equipment:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 52,800	\$ –	\$ 52,800	\$ 52,800
Buildings	4,812,053	4,474,119	337,934	369,555
Equipment	1,588,504	1,408,194	180,310	192,728
	\$ 6,453,357	\$ 5,882,313	\$ 571,044	\$ 615,083

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Cash in trust:

Cash in trust is comprised of residents' personal money to provide convenience for those residents who need to have funds maintained in a safe place and readily available for use in the Nursing Home. The funds may be used to pay for facility-related transactions approved by the resident or an authorized representative.

5. Due to Norfolk General Hospital:

The Nursing Home purchases items such as meals, utilities, housekeeping and administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$1,495,045 (2022 - \$1,464,009). The transactions are in the normal course of operations and are measured at the exchange value which is the amount agreed by the related parties. In addition, the Hospital makes all payments associated with the Nursing Home's capital and operating costs excluding net payroll costs, and then recovers all of these payments from the Nursing Home.

6. Mortgage payable:

	2023	2022
CIBC mortgage bearing interest at 3.7% per annum, repayable in monthly blended payments of \$5,707. The loan matures, on July 16, 2025 and is secured by land and building.	\$ 152,931	\$ 214,574
Less current portion	(63,944)	(61,643)
	\$ 88,987	\$ 152,931

Future principal payments required on the mortgage payable for the next five years and thereafter are as follows:

2024	\$ 63,944
2025	66,331
2026 and thereafter	22,656
	\$ 152,931

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized or unspent amount of funds received for the purchase of property and equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at a rate matching the amortization of the related property and equipment. The changes in the deferred capital contributions balance for the period are as follows:

	2023	2022
Balance, beginning of year	\$ 195,132	\$ 168,347
Capital contributions received in the year	42,228	51,369
Less amounts amortized to revenue	(23,111)	(24,584)
Balance, end of year	\$ 214,249	\$ 195,132

8. Employee future benefits:

The Nursing Home provides extended health, dental and life insurance benefits to certain employee groups upon early retirement. The Nursing Home 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.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Employee future benefits (continued):

Included in salaries and benefits on the statement of operations is an amount of \$12,806 (2022 - \$11,218) regarding employee future benefits. The amount is comprised of:

	2023	2022
Current period benefit cost	\$ 3,302	\$ 3,136
Interest on accrued benefits	4,069	4,147
Amortization of actuarial losses	5,435	3,935
	\$ 12,806	\$ 11,218

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	\$ 130,741	\$ 131,757
Current period benefit cost	3,302	3,136
Interest on accrued benefits	4,069	4,147
Benefits paid	(11,260)	(8,299)
Balance, end of year	126,852	130,741
Unamortized actuarial loss	(30,687)	(36,122)
Liability for benefits, end of year	\$ 96,165	\$ 94,619

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Asset retirement obligation:

The Nursing Home 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 Nursing Home. 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	\$ 1,827,975	\$ —
Adjustment on adoption of PS 3280 asset retirement obligation standard	—	1,827,975
Opening balance, as restated	1,827,975	1,827,975
Less: obligations settled during the year	—	—
Total obligation at March 31	1,827,975	1,827,975
Less: current portion reported in accounts payable and accrued liabilities	—	—
Balance, end of year	\$ 1,827,975	\$ 1,827,975

10. 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 3)	\$ 571,044	\$ 615,083
Amounts financed by deferred capital contributions (note 7)	(214,249)	(195,132)
Amounts financed by mortgage payable (note 6)	(152,931)	(214,574)
	\$ 203,864	\$ 205,377

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Net assets invested in property and equipment (continued):

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

	2023	2022
Deficiency of revenues over expenses:		
Amortization of deferred capital contributions	\$ 23,111	\$ 24,584
Amortization of property and equipment	(78,036)	(79,328)
	\$ (54,925)	\$ (54,744)
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 33,997	\$ 84,296
Amounts funded by deferred capital contributions	(42,228)	(51,369)
Mortgage payment	61,643	59,425
	\$ 53,412	\$ 92,352

11. Accommodation expenses:

Accommodation expenses are comprised of the following:

	2023	2022
Nutrition and food services	\$ 456,181	\$ 451,150
Plant operations and utilities	442,290	422,934
Housekeeping	258,846	256,759
Laundry	131,622	132,162
General office and administration	54,382	26,520
Finance and payroll services	170,868	157,654
Salaries, wages and benefits	45,690	53,843
COVID-19 expenses	184,847	136,720
	\$ 1,744,726	\$ 1,637,742

12. Pension benefits:

Substantially all of the employees of the Nursing Home are eligible to be members of the HOOPP which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to \$258,221 (2022 - \$227,737). These amounts are included in employee 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.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to the Nursing Home if a resident or counterparty to a financial instrument fails to meet its contractual obligations. The Nursing Home is exposed to credit risk with respect to accounts receivable.

The Nursing Home assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Nursing Home 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 \$76,000 (2022 - \$63,800).

(b) Liquidity risk:

Liquidity risk is the risk that the Nursing Home will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Nursing Home manages its liquidity risk by monitoring its operating requirements. The Nursing Home 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) 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 Nursing Home 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 MLTC has provided funding to the Nursing Home to offsetting pandemic related expenses incurred. The Nursing Home 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.

THE NORFOLK HOSPITAL NURSING HOME

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. Contingency:

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 Nursing Home has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.