

Financial Statements of

**NORTH WELLINGTON HEALTH
CARE CORPORATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Wellington Health Care Corporation

Opinion

We have audited the financial statements of North Wellington Health Care Corporation (the Hospital), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows 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 Hospital as at March 31, 2021, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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.



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- 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 Hospital'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 Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 17, 2021



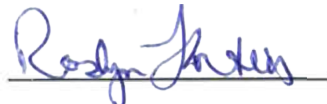
North Wellington Health Care Corporation
Statement of Financial Position
 As at March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 8,084,821	\$ 4,429,123
Accounts receivable, net	1,120,680	986,698
Due from Ministry of Health and other funding agencies	1,359,254	224,520
Due from Foundations (Note 9)	604,389	1,159,377
Inventory	101,661	96,166
Prepaid expenses	399,372	411,270
Total Current Assets	11,670,177	7,307,154
Capital assets (Note 3)	19,871,541	18,793,868
Capital redevelopment (Note 3)	19,242,024	6,406,120
Total Long-Term Assets	39,113,565	25,199,988
Total Assets	\$50,783,742	\$32,507,142
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 9,557,990	\$ 6,309,884
Due to Ministry of Health and other funding agencies	43,367	32,229
Deferred revenue	1,182,816	268,978
Current portion of long-term debt (Note 4)	50,000	50,000
Total Current Liabilities	10,834,173	6,661,091
Long-term debt (Note 4)	1,225,000	1,275,000
Deferred capital contributions (Note 5)	33,288,668	18,920,550
Post-employment benefits (Note 6)	689,900	636,100
Total Liabilities	46,037,741	27,492,740
Net Assets		
Investment in capital assets (Note 8)	963,710	2,905,344
Internally restricted for capital assets replacement (Note 7)	591,059	591,059
Unrestricted	3,191,232	1,517,999
Total Net Assets	4,746,001	5,014,402
Total Liabilities and Net Assets	\$50,783,742	\$32,507,142

On behalf of the Board:



 DALE SMALL Director



 RODYN JACKSON Director

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



North Wellington Health Care Corporation
Statement of Changes in Net Assets
 For the year ended March 31, 2021, with comparative information for 2020

	Internally Restricted for Capital Asset Replacement	Invested in Capital Assets	Unrestricted	2021 Total	2020 Total
Balance, Beginning of Year	\$ 591,059	\$ 2,905,344	\$ 1,517,999	\$ 5,014,402	\$ 5,124,721
Excess (deficiency) of revenue over expenses	-	(307,539)	39,138	(268,401)	(110,319)
Investment in capital assets	-	(1,634,095)	1,634,095	-	-
Balance, End of Year	\$ 591,059	\$ 963,710	\$ 3,191,232	\$ 4,746,001	\$ 5,014,402

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



North Wellington Health Care Corporation
Statement of Operations
For the Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue		
Ministry of Health (Note 14):		
Global funding	\$ 15,755,669	\$ 15,582,286
One-time and program funding	4,815,118	1,796,175
Physician emergency & on-call	3,696,395	3,131,154
Ontario Health Insurance Plan fees	804,778	1,012,387
Municipal tax funding	6,300	6,300
Claire Stewart Medical Clinic revenue	121,500	121,500
Minto Rural Health Centre revenue	131,851	132,327
Patient revenue from other sources	440,821	483,309
Other sundry recoveries	1,452,560	1,470,272
Amortization of deferred capital contributions – equipment	1,020,054	784,875
	28,245,046	24,520,585
Expenses		
Salaries & benefits	17,045,764	14,100,083
Physician emergency & on-call	3,696,395	3,131,154
Medical staff fees & remuneration	475,150	526,313
Medical & surgical supplies	611,176	416,890
Drugs & medical gases	291,063	285,579
Operating supplies & expenses	4,800,014	4,866,437
Claire Stewart Medical Clinic expense	167,466	101,794
Minto Rural Health Centre expense	61,198	62,885
Loss of disposal of capital assets	-	15,218
Amortization – equipment	1,065,502	832,628
	28,213,728	24,338,981
Excess of Revenue Over Expenses Before Building Amortization and Interest	31,318	181,604
Building Amortization and Interest		
Amortization of deferred capital contributions – buildings	604,636	634,706
Amortization of buildings	(866,726)	(887,595)
Long-term debt interest expense	(37,629)	(39,034)
	(299,719)	(291,923)
Deficiency of Revenue Over Expenses	\$ (268,401)	\$ (110,319)



North Wellington Health Care Corporation
Statement of Cash Flow
For the Year ended March 31, 2021, with comparative
information for 2020

	2021	2020
Cash Provided by (used in)		
Operating Activities		
Deficiency of revenue over expenses	\$ (268,401)	\$ (110,319)
Items not involving cash:		
Amortization of capital assets	1,935,573	1,723,569
Amortization of deferred capital contributions	(1,628,035)	(1,422,926)
Loss of disposal of capital assets	-	15,218
Post-employment benefits	53,800	2,500
	92,937	208,042
Changes in non-cash working capital balances:		
Accounts receivable – operating	(1,146,185)	(197,995)
Inventory	(5,495)	19,244
Prepaid expenses	11,898	6,300
Accounts payable and accrued liabilities – operating	2,154,610	242,408
Deferred revenue	913,838	(475,128)
	1,928,665	(197,129)
Capital activities		
Additions to capital assets	(15,849,150)	(7,855,321)
Additions to deferred donations and grants	15,996,153	5,317,326
Change in accounts receivable – capital	432,458	429,103
Change in accounts payable and accrued liabilities – capital	1,104,634	1,089,899
	1,684,095	(1,018,993)
Financing Activities		
Repayment of long-term debt	(50,000)	(50,000)
	(50,000)	(50,000)
Increase (decrease) in cash	3,655,698	(1,266,122)
Cash, beginning of year	4,429,123	5,695,245
Cash, end of year	\$ 8,084,821	\$ 4,429,123

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



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

North Wellington Health Care Corporation (the “Hospital”) was formed on the September 21, 2001 when Louise Marshall Hospital and Palmerston and District Hospital amalgamated and is incorporated under the laws of Ontario without share capital. The Hospital is principally involved in providing health services to the Towns of Mount Forest and Palmerston and surrounding areas. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2021 and 2020. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

a) Basis of presentation:

These financial statements do not include the activities of the following non-controlled affiliated entities:

(i) Mount Forest Louise Marshall Hospital Foundation (MFLMH Foundation):

The MFLMH Foundation raises funds to support capital projects and equipment needs of the Hospital.

(ii) Palmerston and District Hospital Foundation (PDH Foundation):

The PDH Foundation raises funds to support capital projects and equipment needs of the Hospital.

The financial information of these entities is reported separately from the Hospital.

b) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (“MOH) and the Waterloo-Wellington Local Health Integration Network (“LHIN”).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

1. Significant accounting policies (continued):

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the “H-SAA”) for fiscal 2021 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, it is required to follow a remediation process negotiated with the MOH/LHIN. Should the Hospital fail to honor the terms of the remediation process the MOH/LIN has the right to adjust funding received by the Hospital.

The MOH/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year-end.

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.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Revenue from patient services is recognized when the service is provided.

Ancillary revenue is recognized when the goods are sold and services provided.

c) Inventories:

Inventories are valued at the lower of average cost and replacement value. Provisions are made for any obsolete or unusable inventory on hand.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

1. Significant accounting policies (continued):

d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. Capital assets are capitalized on acquisition and amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	5 to 25 years
Buildings which includes service equipment	10 to 40 years
Equipment	3 to 15 years
Software	3 to 10 years

e) Employee future benefits:

The Hospital provides defined post-employment health, dental and life insurance benefits to certain employee groups. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

(i) Defined benefit plan:

The costs of post-employment benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. The average remaining service period of the active employees covered by the plan is 14 years (2020 - 15 years). Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.



North Wellington Health Care Corporation

Notes to Financial Statements

For the Year ended March 31, 2021

1. Significant accounting policies (continued):

e) Employee future benefits (continued):

(ii) Multi-employer plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan (“HOOPP”) for which the Hospital does not have the necessary information to apply defined benefit plan accounting. The costs of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the 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.

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.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term payables are recorded at cost.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

1. Significant accounting policies (continued):

f) 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
- 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.

As at March 31, 2021, all financial assets of the Hospital are held as cash and, as a result, are categorized as level 1.

g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. The infectious coronavirus (“COVID-19”) pandemic has added to the Hospital’s measurement uncertainty primarily due to a reduction in available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2021. Significant items subject to such estimates and assumptions include the carrying amount of accrued benefit liability, capital assets and accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

1. Significant accounting policies (continued):

g) Measurement uncertainty (continued):

Since this data is not submitted until after the completion of the financial statements, the amount of the MOH/LHIN funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The amount of revenue recognized from the MOH and the LHIN requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by the Waterloo Wellington LHIN for the year ended March 31, 2021. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, it is required to follow a remediation process negotiated with the MOH/LHIN. Should the Hospital fail to honor the terms of the remediation process the MOH/LIN has the right to adjust funding received by the Hospital.

2. Cash:

The Hospital has access to an unsecured operating line of \$3,000,000, with interest at prime minus 0.50% per annum. At March 31, 2021, \$3,000,000 is available under this facility.



North Wellington Health Care Corporation
Notes to Financial Statements
For the Year ended March 31, 2021

3. Capital assets:

	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$388,498	\$ -	\$ 281,498	\$ -
Land improvement	212,419	77,648	212,419	56,477
Building and building service equipment	25,643,997	14,782,871	24,909,863	13,937,315
Equipment	17,409,673	12,335,763	17,187,911	11,424,316
	43,654,587	27,196,282	42,591,691	25,418,108
Construction in progress	22,655,260	-	8,026,405	-
	\$ 66,309,847	\$ 27,196,282	\$ 50,618,096	\$ 25,418,108
Net Book Value		\$ 39,113,565		\$ 25,199,988

Included in Construction in progress is \$19,242,024 (2020 - \$6,406,120) for capital redevelopment costs (land improvements, planning and design) related to the Emergency and Ambulatory Care Project. During the year, capital equipment disposals amounted to \$157,400 (2020 - \$671,690). Included in Equipment depreciation is Minto Rural Health Clinic depreciation expense of \$3,345 (2020 - \$3,345). Included in equipment is \$181,563 (2020 - \$1,578,130) of assets not in use and therefore depreciation has not commenced.



North Wellington Health Care Corporation
Notes to Financial Statements
 For the Year ended March 31, 2021

4. Long-term debt:

	2021	2020
2.88% debenture, payable to The Corporation of the Town of Minto, unsecured, semi-annual payments of principal plus interest of \$25,000, maturing on August 2, 2046.	\$ 1,275,000	\$ 1,325,000
Less amounts due within one year	(50,000)	(50,000)
Long-term debt	\$ 1,225,000	\$ 1,275,000

Included in the Statement of Operations is interest on long-term debt of \$37,629 (2020 - \$39,034).

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and the unspent amount of externally restricted donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2021	2020
Balance, beginning of year	\$ 18,920,550	\$ 15,026,149
Capital contributions received	15,996,153	5,317,327
Amortization of deferred capital contributions	(1,628,035)	(1,422,926)
Balance, end of year	\$ 33,288,668	\$ 18,920,550

Amortization of deferred capital contributions includes amounts related to Minto Rural Health Clinic of \$3,345 (2020 – \$3,345).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

6. Post-employment benefits:

a) Pension plan:

Substantially all of the full-time employees and some of the part-time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Contributions to the plan by the Hospital during the year amounted to \$878,146 (2020 - \$828,489) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2020, the pension plan reported a surplus of \$24.1 billion (2020 - \$20.6 billion).

b) Retirement benefits:

The Hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefits liability was determined by an actuarial valuation study. An actuarial valuation of these benefits is completed on a triennial basis. The latest actuarial valuation was completed for March 31, 2021.

The Hospital's liability at March 31st for this plan is as follows:

	<u>2021</u>	<u>2020</u>
Accrued benefit obligation	\$ 834,300	\$ 635,900
Unamortized net actuarial gains (losses)	(144,400)	200
Post-employment benefits liability	<u>\$ 689,900</u>	<u>\$ 636,100</u>



North Wellington Health Care Corporation
Notes to Financial Statements
For the Year ended March 31, 2021

6. Post-employment benefits (continued):

The significant actuarial assumptions adopted in the measuring of the Hospital's accrued benefit obligations are as follows:

	2021	2020
Accrued benefit obligation (at end of year):		
Discount rate	3.00%	3.10%
Dental cost increases	2.75%	2.75%
Medical cost increases, and decrease	5.75%	6.00%
Proportionately thereafter to an ultimate rate of 4.50%		
Benefit costs (for fiscal year):		
Discount	3.10%	2.90%

Other information about the Hospital's plan is as follows:

	2021	2020
Current year benefit cost	\$ 28,100	\$ 28,200
Interest on accrued benefit obligation	19,500	19,300
Amortized actuarial losses	21,700	22,800
Prior Service cost incurred during this period	53,100	-
Expense for the year	\$ 122,400	\$ 70,300
Benefits paid during the year	\$ 68,600	\$ 34,709

7. Internally restricted net assets:

Internally restricted net assets represent amounts set aside for future capital and other special projects.

As of March 31, 2021, the Hospital's Board of Directors ("Board") has internally restricted \$591,059 (2020 - \$591,059) of unrestricted net assets to be used for future capital and other special projects. The Board of Directors has also internally restricted net assets invested in capital assets of \$963,710 (2020 - \$2,905,344). These internally restricted amounts are not available for other purposes without approval of the Board.



North Wellington Health Care Corporation
Notes to Financial Statements
For the Year ended March 31, 2021

8. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2021	2020
Capital assets (Note 3)	\$ 39,113,565	\$ 25,199,988
Accounts receivable – capital	535,843	968,302
Long-term debt (Note 4)	(1,275,000)	(1,325,000)
Deferred capital contributions (Note 5)	(33,288,668)	(18,920,550)
Accounts payable and accrued liabilities - capital	(4,122,030)	(3,017,396)
	\$ 963,710	\$ 2,905,344

Changes in net assets invested in capital assets is calculated as follows:

	2021	2020
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 1,628,035	\$ 1,422,926
Loss of disposal of capital assets	-	(15,218)
Amortization of capital assets	(1,935,573)	(1,723,569)
	\$ (307,538)	\$ (315,861)
Net change in investment in capital assets:		
Purchase of capital assets	15,849,150	7,855,321
Change in accounts payable and accrued liabilities – capital	(1,104,635)	(1,098,899)
Repayment of long-term debt	50,000	50,000
Change in accounts receivable – capital	(432,458)	(429,163)
Accounts funded by deferred capital contributions	(15,996,153)	(5,317,326)
	(1,634,096)	1,059,933
	\$ (1,941,634)	\$ 744,072



North Wellington Health Care Corporation

Notes to Financial Statements

For the Year ended March 31, 2021

9. Related party transactions and economic interest:

The Hospital receives support from the Foundations and Auxiliaries operating within the communities serviced by the Hospital. The Foundations and Auxiliaries operate independently of the Hospital, as such the relationship is not considered as a related party.

a) Palmerston and District Hospital Foundation (“PDH Foundation”):

The PDH Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, and equipment purchases of the Hospital. During the year, the Hospital received donations totaling \$1,058,070 (2020 - \$969,470) from the PDH Foundation.

The accounts of the PDH Foundation are not included in these financial statements.

b) Mount Forest Louise Marshall Hospital Foundation (“MFLMH Foundation”):

The MFLMH Foundation was established to receive and maintain funds for charitable purposes, which it donates to the Hospital to be used for renovations, equipment of the Hospital. During the year, the Hospital received donations totaling \$2,054,128 (2020 - \$1,043,996) from the MFLMH Foundation.

c) Auxiliary to Louise Marshall Hospital (“LMH Auxiliary”):

The LMH Auxiliary is a volunteer organization affiliated with Louise Marshall Hospital and is engaged in a wide range of services for the betterment of the Hospital. The LMH Auxiliary periodically transfers funds to the MFLMH Foundation.

The accounts of the LMH Auxiliary are not included in these financial statements.

d) Auxiliary to Palmerston and District Hospital (“PDH Auxiliary”):

The PDH Auxiliary is a volunteer organization affiliated with the Hospital and is engaged in a wide range of services for the betterment of the Hospital. The organization periodically transfers funds to the PDH Foundation.

The accounts of the PDH Auxiliary are not included in these financial statements.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

9. Related party transactions and economic interest (continued):

At March 31, 2021, the Hospital has a receivable from foundations as follows:

	<u>2021</u>	<u>2020</u>
Operating expenses for		
Mount Forest Louise Marshall Hospital Foundation	\$ 65,908	\$ 67,335
Palmerston and District Hospital Foundation	55,194	118,329
Capital & minor equipment		
Mount Forest Louise Marshall Hospital Foundation	202,403	526,679
Palmerston and District Hospital Foundation	280,884	447,034
Total Foundation receivables	<u>\$ 604,389</u>	<u>\$ 1,159,377</u>

e) Wellington Health Care Alliance:

North Wellington Health Care Corporation and Groves Memorial Community Hospital have entered into an alliance agreement (Wellington Health Care Alliance) to enable the parties to provide mutual support and cooperation in the delivery of Hospital services to the patients in their respective catchment areas. The agreement has resulted in a shared senior management team and other resources. The Hospital's share of alliance revenues, expenses, assets and liabilities have been recorded in the accounts of the Hospital. Included in accounts receivable is \$310,283 due from Groves Memorial Community Hospital, and included in accounts payable is \$650,231 owing to Groves Memorial Community Hospital.

10. Diabetes program:

During the year, the Hospital received \$758,175 (2020 - \$758,175) in funding from the Ministry of Health related to the Diabetes Program. The surplus for this program at March 31, 2021 is \$nil (2020 – \$nil).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

11. Contingent liabilities:

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2021, 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.

The Hospital has entered into an agreement with Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario). HIROC provides insurance coverage on a pooling basis to its subscribers. The Hospital is liable for its proportionate share of any assessment for losses experienced by the pool during each policy year that it is a subscriber. No assessments have been made up to March 31, 2021.

The term of this agreement requires two years notice before withdrawing from the agreement.

12. Commitments:

a) Service agreements:

During the year, the Hospital has committed to capital purchases, service and rental agreements.

The payments that are required under the terms of these agreements as follows:

2022	\$	4,413,337
2023		121,286
2024		104,074
2025		82,326
2026		85,388
<hr/>		
Total	\$	4,806,411

The Hospital signed an agreement with Mohawk Shared Services Inc. for procurement and logistics services relating to the purchase and delivery of medical and other supplies. The term of the agreement is three years renewing automatically every three years unless two years prior notice is given not to renew at the end of the current term.



North Wellington Health Care Corporation

Notes to Financial Statements

For the Year ended March 31, 2021

12. Commitments (continued):

b) Capital redevelopment:

In August 2011, the Hospital entered into an agreement with the MOH for the planning and design costs of the Emergency and Ambulatory Care redevelopment.

In March 2013, the MOH approved the Hospital to receive a grant of \$1,500,000 to assist with the cost of planning and designing the Emergency and Ambulatory Care redevelopment project. In May 2013, the Hospital extended the agreement with the MOH for the planning and design costs of the Emergency and Ambulatory Care and Medical Education Campus Redevelopment Project which is to expire on the date the Hospital and the Ministry enter into a subsequent agreement for the Emergency and Ambulatory Care and Medical Education Campus Redevelopment Project.

In January 2019, the MOH approved the Hospital to proceed to market and tender the construction project. The project was approved with a total Final Estimate of Cost of \$20,239,921. Of which the MOH's portion is 90% or \$18,492,068. The remaining commitment has been pledged from the Foundations.

Construction began in September 2019 and the project is expected to be completed in the year ending March 31, 2022.

The total amount of \$19,242,024 (2020 - \$6,406,120) for the redevelopment costs (land, planning and design) relate to the Emergency and Ambulatory Care Project.

13. Financial risks:

a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Hospital's surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

b) 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 this risk through to its interest-bearing operating line.



North Wellington Health Care Corporation

Notes to Financial Statements

For the Year ended March 31, 2021

13. Financial risks (continued):

b) Interest rate risk (continued):

The Hospital has financing available in the form of an operating line which is drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.50% and is payable monthly.

c) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Hospital is exposed to credit risk with respect to its accounts receivable and cash.

The Hospital 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 Hospital at March 31, 2021 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, 2021 is \$3,457 (2020 - \$25,884).

As at March 31, 2021, \$3,277 (2020 - \$27,386) of third-party accounts receivable were past due, but not impaired.

d) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no other significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2021

14. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic (“COVID-19”), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management’s estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital’s operations, revenues and expenses. As a result of Management’s estimation process, the Hospital has recognized amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. Given the potential for future changes to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 using a conservative approach and has recorded a provision for future funding changes. Any adjustments to Management’s estimate of MOH revenues will be reflected in the Hospital’s financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

Funding for incremental COVID-19 operating expenses	\$ 2,542,620
Funding for non-ministry revenue losses resulting from COVID-19	<u>324,100</u>
Total revenue recognized	<u>\$ 2,866,720</u>

In addition to the above, the Hospital has also recognized \$129,494 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an additional to deferred capital contributions during the year.



North Wellington Health Care Corporation

Notes to Financial Statements

For the Year ended March 31, 2021

15. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.