

Financial Statements of

**NORTH WELLINGTON HEALTH
CARE CORPORATION**

And Independent Auditors' Report thereon

Year ended March 31, 2022

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, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses 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, 2022, and its results of operations, its, changes in net assets, its remeasurement gains and losses 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.

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.

- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada



North Wellington Health Care Corporation Statement of Operations

As at March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 4,896,550	\$ 8,084,821
Investments (Note 3)	1,381,000	-
Accounts receivable, net	1,031,432	1,120,680
Due from Ministry of Health and other funding agencies	1,597,215	1,359,254
Due from Foundations (Note 10)	2,219,498	604,389
Inventory	75,632	101,661
Prepaid expenses	348,091	399,372
Total Current Assets	11,549,418	11,670,177
Capital assets (Note 4)	40,077,849	19,871,541
Capital redevelopment (Note 4)	509,266	19,242,024
Total Long-Term Assets	40,587,115	39,113,565
Total Assets	\$52,136,533	\$50,783,742
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 7,061,512	\$ 9,557,990
Due to Ministry of Health and other funding agencies	107,391	43,367
Deferred revenue	527,217	1,182,816
Current portion of long-term debt (Note 5)	50,000	50,000
Total Current Liabilities	7,746,120	10,834,173
Long-term debt (Note 5)	1,175,000	1,225,000
Deferred capital contributions (Note 6)	37,595,775	33,288,668
Post-employment benefits (Note 7)	707,500	689,900
Total Liabilities	47,224,395	46,037,741
Net Assets		
Investment in capital assets (Note 9)	3,825,936	963,710
Internally restricted for capital assets replacement (Note 8)	591,059	591,059
Unrestricted	614,143	3,191,232
Accumulated remeasurement losses	(119,000)	-
Total Net Assets	4,912,138	4,746,001
Contingent liabilities (Note 12)		
Commitments (Note 13)		
Total Liabilities and Net Assets	\$52,136,533	\$50,783,742

On behalf of the Board:

Director

Director



North Wellington Health Care Corporation

Statement of Remeasurement Gains and Losses

As at March 31, 2022, with comparative information for 2021

	2022	2021
Accumulated remeasurement losses, beginning of the year	\$ -	\$ -
Unrealized losses on investments	(119,000)	-
Accumulated remeasurement losses, end of year	\$ (119,000)	\$ -



North Wellington Health Care Corporation
Statement of Changes in Net Assets
For the year ended March 31, 2022, with comparative information for 2021

	Internally Restricted for Capital Asset Replacement	Invested in Capital Assets	Unrestricted	2022 Total	2021 Total
Balance, Beginning of Year	\$ 591,059	\$ 963,710	\$ 3,191,232	\$ 4,746,001	\$ 5,014,402
Excess (deficiency) of revenue over expenses	-	(303,448)	588,585	285,137	(268,401)
Investment in capital assets	-	3,165,674	(3,165,674)	-	-
Balance, End of Year	\$ 591,059	\$ 3,825,936	\$ 614,143	\$ 5,031,138	\$ 4,746,001

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



**North Wellington Health Care Corporation
Statement of Operations**
As at March 31, 2022, with comparative information for 2021

	2022	2021
Revenue		
Ministry of Health (Note 15):		
Global funding	\$ 16,295,003	\$ 15,755,669
One-time and program funding	4,103,374	4,815,118
Physician emergency & on-call	3,736,314	3,696,395
Ontario Health Insurance Plan fees	993,952	804,778
Municipal tax funding	6,300	6,300
Claire Stewart Medical Clinic revenue	126,268	121,500
Minto Rural Health Centre revenue	132,555	131,851
Patient revenue from other sources	457,906	440,821
Other sundry recoveries	1,079,289	1,452,560
Amortization of deferred capital contributions – equipment	1,229,846	1,020,054
	28,160,807	28,245,046
Expenses		
Salaries & benefits	15,836,086	17,045,764
Physician emergency & on-call	3,736,314	3,696,395
Medical staff fees & remuneration	512,709	475,150
Medical & surgical supplies	531,924	611,176
Drugs & medical gases	479,939	291,063
Operating supplies & expenses	5,108,498	4,800,014
Claire Stewart Medical Clinic expense	45,386	167,466
Minto Rural Health Centre expense	54,026	61,198
Amortization – equipment	1,275,248	1,065,502
	27,580,130	28,213,728
Excess of Revenue Over Expenses Before Building Amortization and Interest	580,677	31,318
Building Amortization and Interest		
Amortization of deferred capital contributions – buildings	917,888	604,636
Amortization of buildings	(1,177,309)	(866,726)
Long-term debt interest expense	(36,119)	(37,629)
	(295,540)	(299,719)
Surplus/(Deficiency) of Revenue Over Expenses	\$ 285,137	\$ (268,401)

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



North Wellington Health Care Corporation
Statement of Cash Flow
For the Year ended March 31, 2022, with comparative
information for 2021

2022 2021

Cash Provided by (used in)

Operating Activities

Excess (deficiency) of revenue over expenses	\$ 285,137	\$ (268,401)
Items not involving cash:		
Amortization of capital assets	2,452,836	1,935,573
Amortization of deferred capital contributions	(2,148,013)	(1,628,035)
Gain on disposal of capital assets	(1,375)	-
Post-employment benefits	17,600	53,800
	606,185	92,937
Changes in non-cash working capital balances:		
Accounts receivable – operating	316,674	(1,146,185)
Inventory	26,030	(5,495)
Prepaid expenses	51,281	11,898
Accounts payable and accrued liabilities – operating	1,082,833	2,154,610
Deferred revenue	(655,599)	913,838
	1,427,404	1,928,666

Investing Activities

Purchase of investments	(1,500,000)	-
Capital activities		
Additions to capital assets	(3,925,011)	(15,849,150)
Additions to deferred donations and grants	6,455,119	15,996,153
Change in accounts receivable – capital	(2,080,496)	432,458
Change in accounts payable and accrued liabilities – capital	(3,515,287)	1,104,634
	(3,065,675)	1,684,095

Financing Activities

Repayment of long-term debt	(50,000)	(50,000)
	(50,000)	(50,000)

Increase (decrease) in cash	(3,188,271)	3,655,698
Cash, beginning of year	8,084,821	4,429,123
Cash, end of year	\$ 4,896,550	\$ 8,084,821



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

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.

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 Ontario Health West (“OHW”).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

1. Significant accounting policies (continued):

b) Revenue recognition (continued):

The Hospital has entered into a Hospital Service Accountability Agreement (the “H-SAA”) for fiscal 2022 with the Ministry and OHW 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/OHW. 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/OHW. Should the Hospital fail to honor the terms of the remediation process the MOH/OHW has the right to adjust funding received by the Hospital.

The MOH/OHW 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/OHW 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, 2022

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 (2021 - 14 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, 2022

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, 2022

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, 2022, all financial assets of the Hospital are held as cash and investments 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, 2022. 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, 2022

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/OHW 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 OHW 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 OHW for the year ended March 31, 2022. 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/OHW. Should the Hospital fail to honor the terms of the remediation process the MOH/OHW has the right to adjust funding received by the Hospital.

2. Cash and Operating Line of Credit:

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, 2022, \$3,000,000 is available under this facility.

3. Investments:

	2022	2021
Principal Protected Growth Note Matures February 9, 2027	\$ 500,000	\$ -
Principal Protected Growth Note – Annual Coupon Payment (<i>Based on performance, range is 0.5%-6.5%</i>) Matures February 9, 2028	\$ 1,000,000	\$ -
	\$ 1,500,000	\$ -



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

4. Capital assets:

	2022		2021	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 452,889	\$ -	\$ 388,498	\$ -
Land improvement	229,246	98,818	212,419	77,648
Building and building service equipment	49,221,089	15,939,009	25,643,997	14,782,871
Equipment	18,748,767	13,494,142	17,409,673	12,335,763
	<u>68,651,991</u>	<u>29,531,969</u>	<u>43,654,587</u>	<u>27,196,282</u>
Construction in progress	1,467,093	-	22,655,260	-
	<u>\$ 70,119,084</u>	<u>\$ 29,531,969</u>	<u>\$ 66,309,847</u>	<u>\$ 27,196,282</u>
Net Book Value		<u>\$ 40,587,115</u>		<u>\$ 39,113,565</u>

Included in construction in progress is \$509,267 (2021 - \$19,242,024) for capital redevelopment costs related to the Emergency and Ambulatory Care Project. The majority of the costs for the project are now in use and amortization has begun in 2022.



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

5. Long-term debt:

	2022	2021
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.	\$ 1,225,000	\$ 1,275,000
Less amounts due within one year	(50,000)	(50,000)
Long-term debt	\$ 1,175,000	\$ 1,225,000

Included in the Statement of Operations is interest on long-term debt of \$36,119 (2021 - \$37,629).

6. 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.

	2022	2021
Balance, beginning of year	\$ 33,288,668	\$ 18,920,550
Capital contributions received	6,455,120	15,996,153
Amortization of deferred capital contributions	(2,148,013)	(1,628,035)
Balance, end of year	\$ 37,595,775	\$ 33,288,668



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

7. 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 \$898,000 (2021 - \$878,146) and are included in salaries, wages and benefits on the Statement of Operations. At December 31, 2021, the pension plan reported a surplus of \$28.5 billion (2021 - \$24.1 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, extrapolated to March 31, 2022.

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

	2021	2021
Accrued benefit obligation	\$ 757,300	\$ 834,300
Unamortized net actuarial losses	(49,800)	(144,400)
Post-employment benefits liability	\$ 707,500	\$ 689,900



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

7. Post-employment benefits (continued):

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

	2022	2021
Accrued benefit obligation (at end of year):		
Discount rate	3.70%	3.00%
Dental cost increases	3.00%	2.75%
Medical cost increases, and decrease	5.57%	5.75%
Proportionately thereafter to an ultimate rate of 4.50%		
Benefit costs (for fiscal year):		
Discount	3.00%	3.10%

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

	2022	2021
Current year benefit cost	\$ 42,800	\$ 28,100
Interest on accrued benefit obligation	25,100	19,500
Amortized actuarial losses	33,600	21,700
Prior Service cost incurred during this period	-	53,100
Expense for the year	\$ 101,500	\$ 122,400
Benefits paid during the year	\$ 83,900	\$ 68,600

8. Internally restricted net assets:

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

As of March 31, 2022, the Hospital's Board of Directors ("Board") has internally restricted \$591,059 (2021 - \$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 \$3,825,936 (2021 - \$963,710). 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, 2022

9. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2022	2021
Capital assets (Note 4)	\$40,587,115	\$ 39,113,565
Accounts receivable – capital	2,616,339	535,843
Long-term debt (Note 5)	(1,175,000)	(1,275,000)
Deferred capital contributions (Note 6)	(37,595,775)	(33,288,668)
Accounts payable and accrued liabilities - capital	<u>(606,743)</u>	<u>(4,122,030)</u>
	\$3,825,936	\$ 963,710

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

	2022	2021
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$2,148,013	\$ 1,628,035
Gain on disposal of capital assets	(1,375)	-
Amortization of capital assets	<u>(2,450,086)</u>	<u>(1,935,573)</u>
	\$ (303,448)	\$ (307,538)
Net change in investment in capital assets:		
Purchase of capital assets	3,925,011	15,849,150
Change in accounts payable and accrued liabilities – capital	(3,515,287)	(1,104,635)
Repayment of long-term debt	50,000	50,000
Change in accounts receivable – capital	2,080,496	(432,458)
Accounts funded by deferred capital contributions	<u>(6,455,120)</u>	<u>(15,996,153)</u>
	(3,914,900)	(1,634,096)
	\$ (4,218,348)	\$ (1,941,634)



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

10. 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 \$783,359 (2021 - \$1,058,070) 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 \$2,269,288 (2021 - \$2,054,128) 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, 2022

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

At March 31, 2022, the Hospital has a receivable from foundations as follows:

	2022	2021
Operating expenses for		
Mount Forest Louise Marshall Hospital Foundation	\$54,494	\$ 65,908
Palmerston and District Hospital Foundation	53,836	55,194
Capital & minor equipment		
Mount Forest Louise Marshall Hospital Foundation	1,978,497	202,403
Palmerston and District Hospital Foundation	132,671	280,884
Total Foundation receivables	\$2,219,498	\$ 604,389

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 \$577,477 (2021 - \$310,283) due from Groves Memorial Community Hospital, and included in accounts payable is \$382,922 (2021 - \$650,231) owing to Groves Memorial Community Hospital.

11. Diabetes program:

During the year, the Hospital received \$758,175 (2021 - \$758,175) in funding from the Ministry of Health related to the Diabetes Program. The surplus for this program at March 31, 2022 is \$nil (2021 - \$nil).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

12. 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, 2022, 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, 2022.

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

13. 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:

2023	\$	2,107,409
2024		334,224
2025		265,866
2026		240,745
2027		91,642
<hr/>		
Total	\$	3,039,886

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 on April 1, 2015. 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, 2022

14. 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.

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, 2022 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, 2022 is \$7,083 (2021 - \$3,457).



North Wellington Health Care Corporation Notes to Financial Statements For the Year ended March 31, 2022

14. Financial risks (continued):

c) Credit risk (continued):

As at March 31, 2022, \$3,627 (2021 - \$3,277) 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.

e) 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 2023 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.

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, 2022

15. Ministry of Health pandemic funding:

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

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.

In the current year, the Hospital has recognized funding of \$1,237,211 (2021 - \$2,542,260) for incremental COVID-19 operating expenses and \$nil (2021 - \$324,100) in non-ministry revenue losses resulting from COVID-19.

In addition to the above, the Hospital has also recognized \$39,823 (2021 - \$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.