

**SOUTH HURON HOSPITAL ASSOCIATION
FINANCIAL STATEMENTS
MARCH 31, 2023**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors and Members of the South Huron Hospital Association

Opinion

We have audited the accompanying financial statements of the South Huron Hospital Association ("the Hospital"), which are comprised of the balance sheet as at March 31, 2023 and the operating fund statement of revenue and expenses, statement of remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 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 PSAB, 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
June 1, 2023

SOUTH HURON HOSPITAL ASSOCIATION
BALANCE SHEET

See Accompanying Notes to Financial Statements

As at March 31	2023	2022
ASSETS		
Current assets		
Cash	3,713,280	2,386,420
Short term investments (note 3)	14,470	43,125
Accounts receivable (note 2)	734,641	927,690
Inventories	100,071	110,908
Prepaid expenses	145,049	159,302
Due from South Huron Hospital Foundation (note 13)	31,241	66,178
	<u>4,738,752</u>	<u>3,693,623</u>
Long term investments (note 3)	<u>3,418,634</u>	<u>3,528,830</u>
Capital assets		
Capital assets, net book value (note 4)	<u>6,316,265</u>	<u>6,946,812</u>
	<u>\$ 14,473,651</u>	<u>\$ 14,169,265</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,687,570	2,327,458
Employee future benefits (note 7)	45,000	53,200
Deferred revenue (note 6)	890,057	849,055
	<u>2,622,627</u>	<u>3,229,713</u>
Long term liabilities		
Employee future benefits (note 7)	891,100	875,100
Deferred revenue (note 6)	7,944,766	5,870,525
Asset retirement obligation (note 10)	47,344	-
	<u>11,505,837</u>	<u>9,975,338</u>
Net assets		
Invested in capital assets	(2,518,558)	227,232
Unrestricted	<u>5,794,248</u>	<u>4,053,776</u>
	3,275,690	4,281,008
Accumulated remeasurement gains (losses)	<u>(307,876)</u>	<u>(87,081)</u>
	<u>2,967,814</u>	<u>4,193,927</u>
	<u>\$ 14,473,651</u>	<u>\$ 14,169,265</u>

On behalf of the board of governors:


 Chair, Board of Directors


 Chair, Audit Committee

SOUTH HURON HOSPITAL ASSOCIATION
OPERATING FUND STATEMENT OF REVENUE AND EXPENSES

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2023	2022
Revenue		
Ministry of Health / Ontario Health		
- Base Funding	8,473,479	8,238,531
- One Time Funding	879,856	1,406,233
- HOCC Funding	113,839	110,513
- Paymaster Funding	231,678	241,659
- Other Votes	3,300	3,300
Recoveries and miscellaneous	440,480	328,949
Investment income	151,766	103,095
Amortization of deferred grants and donations - equipment	646,257	460,558
OHIP and patient revenue	2,704,985	2,523,679
Differential and copayment revenue	80,609	147,446
	<u>13,726,249</u>	<u>13,563,963</u>
Expenses		
Salaries, wages and purchased services	6,716,848	5,940,389
Medical staff services remuneration	2,794,228	2,219,780
Employee benefits	1,774,447	1,828,888
Supplies and other expenses	2,338,354	1,977,567
Medical and surgical supplies	251,104	254,476
Drugs and medical gases	242,784	191,522
Bad debts	19,472	8,380
Other votes - property taxes	3,300	3,300
Depreciation - equipment	475,297	430,613
	<u>14,615,834</u>	<u>12,854,915</u>
Excess (deficiency) of Revenue over Expenses from Hospital Operations	(\$ 889,585)	\$ 709,048
Amortization of deferred grants and donations - building	428,734	356,409
Depreciation - building and building service equipment	<u>(498,679)</u>	<u>(421,211)</u>
Excess (deficiency) of Revenue over Expenses for the year	<u>(\$ 959,530)</u>	<u>\$ 644,246</u>

SOUTH HURON HOSPITAL ASSOCIATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2023	2022
Accumulated remeasurement gains (losses), beginning of year	(87,081)	(62,185)
Unrealized holding gains (losses) attributable to investments	<u>(220,795)</u>	<u>(24,896)</u>
Accumulated remeasurement gains (losses), end of year	<u>(\$ 307,876)</u>	<u>(\$ 87,081)</u>

SOUTH HURON HOSPITAL ASSOCIATION
OPERATING FUND STATEMENT OF CASH FLOWS

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2023	2022
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(959,530)	644,246
Items not requiring (not providing) cash		
Depreciation expense	973,976	851,824
Accretion of asset retirement obligation	1,556	-
Working capital provided from operations	16,002	1,496,070
Cash provided from (used for) changes in operational balances		
Accounts receivable	193,049	(169,484)
Inventory	10,837	18,723
Prepaid expenses	14,253	(32,406)
Accounts payable and accrued liabilities	(639,888)	929,845
Employee future benefits	7,800	13,000
Deferred revenue	2,115,243	535,673
Due to/from South Huron Hospital Foundation	34,937	(3,380)
Cash provided from (used for) operating activities	1,752,233	2,788,041
Capital activities		
Net disposals (purchases) of capital assets	(343,429)	(1,350,255)
	(343,429)	(1,350,255)
Financing and investing activities		
Net investment sales (purchases)	(110,599)	(34,536)
	(110,599)	(34,536)
Increase (decrease) in cash	1,298,205	1,403,250
Cash and short term investments, beginning of year	2,429,545	1,026,295
Cash and short term investments, end of year	\$ 3,727,750	\$ 2,429,545

SOUTH HURON HOSPITAL ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
See Accompanying Notes to Financial Statements

For the Year Ended March 31			2023	2022
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	227,232	4,053,776	4,281,008	3,636,762
Excess (deficiency) of revenues over expenses	101,015	(1,060,545)	(959,530)	644,246
Restatement of asset retirement obligation (note 10)		(45,788)	(45,788)	-
Net change in investment in capital assets	(2,846,805)	2,846,805	-	-
Balance, end of year	<u>(2,518,558)</u>	<u>5,794,248</u>	<u>\$ 3,275,690</u>	<u>\$ 4,281,008</u>

SOUTH HURON HOSPITAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

1. Significant accounting policies

Nature of organization

The South Huron Hospital Association ("Hospital") is principally involved in providing health care services to the residents of the South Huron and surrounding municipalities. The Hospital is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada).

Basis of presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

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. 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 can be reasonably estimated and collection is reasonably assured.

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

Contributed services

The Hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:

Land improvements	10 - 20 years
Buildings	50 years
Building service equipment	20 - 25 years
Equipment	3 - 25 years

Vacation pay

Vacation pay is accrued for all employees as entitlements to these payments is earned.

Deferred building and equipment grants

Provincial and municipal building and equipment grants and donations received by the hospital are deferred and amortized on a straight-line basis at a rate corresponding with the depreciation rate for the related building or equipment.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

SOUTH HURON HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended March 31, 2023

1. Significant accounting policies (continued)

Investments

The Hospital has classified all stocks, bonds and other investment securities as available-for-sale which are carried at fair value. Bank guaranteed investment certificates are classified as held-to-maturity and are carried at cost. A write down of the carrying amount of held-to-maturity investments is charged against income when evidence indicates a permanent decline in the underlying value and earning power of an investment. Gains and losses on disposal of held-to-maturity investments are determined on a completed transaction basis.

2. Accounts receivable

	2023	2022
Ministry of Health	578,635	710,945
Insurers and patients	29,852	27,254
Other	<u>126,154</u>	<u>189,491</u>
	<u>\$ 734,641</u>	<u>\$ 927,690</u>

3. Investments

The Hospital's investments are recorded at market value, as per the investment statements provided by the holding institution for the period March 31, 2023.

	2023	2022
Short-term		
Cash in investment account	14,470	43,125
Long-term		
Mutual funds	<u>3,418,634</u>	<u>3,528,830</u>
	<u>\$ 3,433,104</u>	<u>\$ 3,571,955</u>

The cost of the investments as of March 31, 2023 was \$3,740,980 (cost March 31, 2022: \$3,659,036).

4. Capital assets

	Cost	Accumulated Amortization	Net Book Value 2023	Net Book Value 2022
Land	249,131	-	249,131	249,131
Land improvements	274,711	237,671	37,040	41,987
Buildings	10,432,456	5,638,952	4,793,504	5,158,888
Major equipment	<u>5,996,194</u>	<u>4,759,604</u>	<u>1,236,590</u>	<u>1,496,806</u>
	<u>\$ 16,952,492</u>	<u>\$ 10,636,227</u>	<u>\$ 6,316,227</u>	<u>\$ 6,946,812</u>

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2023	2022
Trade payables	925,597	1,338,325
Salaries and deductions payable	411,807	359,501
Accrued vacation and statutory holiday payable	116,114	101,545
Other liabilities	<u>234,052</u>	<u>528,087</u>
	<u>\$ 1,687,570</u>	<u>\$ 2,327,458</u>

SOUTH HURON HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended March 31, 2023

6. Deferred capital contributions related to capital assets

Deferred capital contributions related to capital assets represent the unamortized amount received for the purchase of capital assets and consists of the following:

	2023	2022
Balance, beginning of year	6,719,580	6,183,907
Additional contributions	3,197,202	1,405,640
Less: Amounts amortized to revenue	(1,074,991)	(816,967)
Less: Net value of disposals	<u>(6,968)</u>	<u>(53,000)</u>
Balance, end of year	<u>\$ 8,834,823</u>	<u>\$ 6,719,580</u>
Short-term	890,057	849,055
Long-term	<u>7,944,766</u>	<u>5,870,525</u>
	<u>\$ 8,834,823</u>	<u>\$ 6,719,580</u>

7. Employee future benefits

The South Huron Hospital Association provides extended health care, dental and semi-private benefits to eligible retired employees. An independent actuarial study of the post-retirement benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2023.

At March 31, 2023 the Hospital's accrued benefit obligation related to post-retirement benefit plans was \$452,801 (2022: \$437,125), as detailed in the table below.

	2023	2022
Balance, beginning of year	928,300	915,300
Benefit cost	61,000	63,300
Contributions by the Hospital	<u>(53,200)</u>	<u>(50,300)</u>
Balance, end of year	936,100	928,300
Less: current portion	<u>45,000</u>	<u>53,200</u>
Long-term accrued benefit liability	<u>\$ 891,900</u>	<u>\$ 875,100</u>

SOUTH HURON HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended March 31, 2023

8. Invested in capital assets

a) Net assets invested in capital assets are calculated as follows:

	2023	2022
Capital assets, net book value	6,316,265	6,946,812
Amounts financed by:		
Deferred capital contributions	<u>(8,834,823)</u>	<u>(6,719,580)</u>
	<u>\$ (2,518,558)</u>	<u>\$ 227,232</u>

b) Change in net assets invested in capital assets is calculated as follows:

	2023	2022
Excess of expenses over revenues:		
Amortization of deferred capital contributions related to capital assets	1,074,991	816,967
Depreciation of capital assets	<u>(973,976)</u>	<u>(851,824)</u>
	<u>\$ 101,015</u>	<u>\$ (34,857)</u>
Net change in investments in capital assets:		
Purchase of capital assets	343,429	1,350,255
Capital assets funded by deferred capital contributions	<u>(3,190,234)</u>	<u>(1,352,640)</u>
	<u>\$ (2,846,805)</u>	<u>\$ (2,385)</u>

9. Other votes

The South Huron Hospital Association operates programming which is funded separately from general hospital operations. Ontario Health funds the municipal tax program.

	2023	2022
Revenues		
Municipal taxes	<u>\$ 3,300</u>	<u>\$ 3,300</u>
Expenses		
Municipal taxes	<u>\$ 3,300</u>	<u>\$ 3,300</u>

SOUTH HURON HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended March 31, 2023

10. Asset retirement obligation (ARO)

Effective April 1, 2022, South Huron Hospital Association adopted the new accounting standard PS 3280, Asset Retirement Obligations, issued by the Canadian Public Sector Accounting Board. This standard provides guidance over the reporting of legal obligations associated with the retirement of capital assets that are either currently in productive use or no longer in productive use and controlled by the entity, primarily certain assets containing asbestos and the corresponding abatement costs to retire the assets.

The Hospital has adopted the standard using the modified retroactive method, which uses assumptions and discount rates as of April 1, 2022. Using a costing model provided by the Ministry of Health, the hospital calculated the value of obligation at that date to be \$45,788. The opening balance of unrestricted net assets as at April 1, 2022 was reduced, and associated ARO liability recorded at the assessed value at that time. In subsequent periods, the liability will be adjusted for accretion expenses to reflect the anticipated future costs at retirement. The accretion expense reported in the current year was \$1,556 bringing the balance of the ARO at March 31, 2023 to \$47,344.

11. Pension plan

Full-time and part-time employees of the hospital may be eligible to be members of the Hospitals of Ontario Pension Plan which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan during the year by the hospital amounted to \$452,801 (2022: \$437,125). These amounts are included in expenses in the operating fund statement of revenue and expenses and fund balance.

12. Financial instruments

The Hospital's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable. It is management's opinion that the Hospital is not exposed to significant interest and credit risks arising from these financial instruments. The fair value of the financial instruments approximates their carrying amount.

13. Disclosure of economic interest

The South Huron Hospital Foundation (the "Foundation") is incorporated without share capital under the laws of the Province of Ontario and is a registered foundation under the Income Tax Act (Canada). The Foundation was established to receive and maintain a fund or funds and to apply from time to time all or part thereof for charitable purposes carried on by, in connection with, in relation to, for the benefit of or to enhance or improve the health care services in the area serviced by the South Huron Hospital and to do all such things as are incidental or conducive to the attainment of these objectives. The Foundation is managed and controlled independent of the Hospital.

During the year ended March 31, 2023, the Foundation provided donations totalling \$566,490 (2022: \$450,597) to the Hospital.

SOUTH HURON HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended March 31, 2023

14. Financial risks and concentration of credit risks

Credit risk

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable.

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, 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 operating fund statement of revenue and expenses. Subsequent recoveries of impairment losses related to accounts receivable are credited to the operating fund statement of revenue and expenses. The balance of the allowance for doubtful accounts at March 31, 2023 is \$7,335 (2022: \$6,176).

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

Liquidity risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income 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 investments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

There has been no change to the interest rate risk exposure from 2022.