

**Hanover and District Hospital**  
**Financial Statements**  
For the year ended March 31, 2023

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## Independent Auditor's Report

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### To the Members Hanover and District Hospital

#### Opinion

We have audited the financial statements of Hanover and District Hospital (the Entity), which comprise the statement of financial position as at March 31, 2023 and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses 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 Entity as at March 31, 2023, and its results of operations, its remeasurement gains and losses, its change 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity 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.

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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario

June 29, 2023

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## Hanover and District Hospital Statement of Financial Position

March 31 2023 2022

### Assets

#### Current

Cash (Note 3)	\$ 1,354,319	\$ 2,022,668
Due from Ontario Ministry of Health	517,441	578,590
Accounts receivable	546,654	553,079
Inventory	133,052	120,827
Prepaid expenses	410,241	409,402
	2,961,707	3,684,566

Investments held for capital purposes (Note 4) 6,197,507 6,210,979

Capital assets (Note 5) 12,540,053 12,068,451

**\$21,699,267 \$ 21,963,996**

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities \$ 3,573,621 \$ 3,389,089

Retirement benefit liability (Note 6) 460,800 451,700

Asset retirement obligation (Note 7) 557,499 -

Deferred capital contributions (Note 8) 5,714,843 5,515,871

**10,306,763 9,356,660**

Contingencies (Note 12)

#### Net Assets

Invested in capital assets (Note 9) 6,825,210 6,552,580

Unrestricted 4,228,643 5,651,371

**11,053,853 12,203,951**

Accumulated remeasurement gains (losses) 338,651 403,385

**11,392,504 12,607,336**

**\$21,699,267 \$ 21,963,996**

On behalf of the Board:

 Chair

 Vice Chair

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

## Hanover and District Hospital Statement of Changes in Net Assets

<u>For the year ended March 31</u>	<u>2023</u>			<u>2022</u>
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 6,552,580	\$ 5,651,371	\$12,203,951	\$ 12,168,307
Accounting Policy Change (Note 2)	62,440	(557,499)	(495,059)	-
	6,615,020	5,093,872	11,708,892	12,168,307
Excess of revenue over (under) expenses for the year	(792,675)	137,636	(655,039)	35,644
Investment in capital assets, net	1,002,865	(1,002,865)	-	-
<b>Balance, end of year</b>	<b>\$ 6,825,210</b>	<b>\$ 4,228,643</b>	<b>\$11,053,853</b>	<b>\$ 12,203,951</b>

## Hanover and District Hospital Statement of Remeasurement Gains and Losses

<u>For the year ended March 31</u>	<u>2023</u>		<u>2022</u>
Accumulated remeasurement gains, beginning of year	\$ 403,385	\$	215,856
Unrealized gains (losses) attributable to investments for the year	(157,737)		244,193
Realized (gains) losses reclassified to statement of operations	93,003		(56,664)
Net remeasurement gains (losses) for the year	(64,734)		187,529
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>\$ 338,651</b>	<b>\$</b>	<b>403,385</b>

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

## Hanover and District Hospital Statement of Operations

For the year ended March 31	2023	2022
<b>Revenue</b>		
Ministry of Health (Page 7)	\$19,796,445	\$ 19,510,441
Other (Page 7)	3,397,009	3,022,771
	<b>23,193,454</b>	<b>22,533,212</b>
<b>Expenses</b>		
Salaries and wages	10,070,413	9,667,291
Medical staff remuneration	3,450,058	2,920,543
Employee benefits	2,848,385	2,727,034
Supplies and other expenses	5,024,235	4,795,971
Medical and surgical supplies	737,302	699,397
Drug expense	349,532	416,899
Bad debts	23,601	23,987
Amortization of equipment	1,010,767	930,629
Interest on capital lease	9,574	8,572
Other votes - taxes	7,500	7,500
	<b>23,531,367</b>	<b>22,197,823</b>
<b>Excess of revenue over expenses before other revenue and expenses</b>	<b>(337,913)</b>	<b>335,389</b>
Amortization of deferred contributions for land improvements and building	97,332	82,672
Amortization of land improvements and building	<b>(414,458)</b>	<b>(382,417)</b>
	<b>(317,126)</b>	<b>(299,745)</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (655,039)</b>	<b>\$ 35,644</b>

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

## Hanover and District Hospital Schedule of Operating Revenue

For the year ended March 31	2023	2022
<b>Ministry of Health Revenue</b>		
Ministry allocation	\$ 15,847,848	\$ 15,536,348
Special purpose funding	378,953	262,522
Municipal tax funding	7,500	7,500
Alternate payment plan	1,510,381	1,399,225
Hospital On Call Coverage (HOCC)	533,456	517,858
COVID-19 funding	1,518,307	1,786,988
	<b>\$ 19,796,445</b>	<b>\$ 19,510,441</b>
<b>Other Revenue</b>		
Income from patient activities	\$ 1,868,626	\$ 1,630,514
Accommodation charges	223,645	306,808
Donations	40,000	20,000
Amortization of deferred contributions for equipment	540,233	452,895
Marketed services	470,944	355,317
Investment income	149,547	206,768
Gain (loss) on disposal of capital assets	(5,015)	1,528
Other	109,029	48,941
	<b>\$ 3,397,009</b>	<b>\$ 3,022,771</b>

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

## Hanover and District Hospital Statement of Cash Flows

For the year ended March 31	2023	2022
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over (under) expenses for the year	\$ (655,039)	\$ 35,644
Items not involving cash		
Amortization of capital assets	1,425,225	1,313,046
Change in employee future benefits liability	9,100	9,400
Realized gain (loss) on disposal of investments	93,003	(56,664)
Amortization of deferred contributions	(637,565)	(535,567)
Loss (gain) on disposal of capital assets	5,015	(1,528)
	239,739	764,331
Changes in non-cash working capital balances (Note 11)	239,042	407,650
	478,781	1,171,981
<b>Capital activities</b>		
Acquisition of capital assets	(1,839,402)	(1,770,801)
Grants and donations for capital assets	836,537	1,316,901
Proceeds from sale of capital assets	-	1,528
	(1,002,865)	(452,372)
<b>Investing activities</b>		
Proceeds on disposal of investments	2,649,713	763,190
Acquisition of investments	(2,793,978)	(869,842)
	(144,265)	(106,652)
<b>Net increase (decrease) in cash during the year</b>	(668,349)	612,957
<b>Cash, beginning of year</b>	2,022,668	1,409,711
<b>Cash, end of year</b>	\$ 1,354,319	\$ 2,022,668

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

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# Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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## 1. Significant Accounting Policies

### Nature and Purpose of Organization

Hanover and District Hospital is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The hospital is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income tax and may issue income tax receipts to donors.

The hospital is principally involved in providing health care services to the Hanover area. It is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health.

### Basis of Presentation

The financial statements of Hanover and District Hospital are the representations of management. They 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").

The financial statements do not include the assets, liabilities and activities of related volunteer organizations which are not operated by the hospital, including the Hanover and District Hospital Foundation and the Hanover and District Hospital Auxiliary.

### Management Estimates

The preparation of financial statements in accordance with PSAB for government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future. Use of estimates primarily relates to amortization of capital assets, estimation of asset retirement obligation and actuarial estimation of the retirement benefits liability.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 1. Significant Accounting Policies (continued)

#### Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 1. Significant Accounting Policies (continued)

#### Revenue Recognition

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

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 Ontario Ministry of Health. The hospital has entered into a Hospital Service Accountability Agreement (the H-SAA) for fiscal 2023 with the Ministry that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the hospital by the Ministry. 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, the Ministry has the right to adjust funding received by the hospital. The Ministry 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 the Ministry funding received by the hospital during the year may be increased or decreased subsequent to the 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.

Restricted contributions received by the hospital for the acquisition of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired assets.

Other revenue is recognized as the services are rendered or the goods are delivered, providing the amount is fixed or determinable and collectability is reasonably assured.

#### Contributed Services

Volunteers contribute approximately 1,461 hours (2022 - 730 hours) to assist the hospital in carrying out its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not recognized in the financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances. All investments held for capital purposes are treated as investing activities.

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2023**

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### 1. Significant Accounting Policies (continued)

**Inventories** Inventories are valued at the lower of cost and net realizable value. Inventory items are valued on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations.

**Capital Assets** Purchased capital assets are carried at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight line basis over the assets' estimated useful lives, which is 80 years for buildings and 5-15 years for equipment.

**Retirement Benefits** The hospital provides post-employment health, dental and life insurance benefits to eligible retired employees. The accrued benefit obligation for these benefits is actuarially determined using the projected benefit method prorated on service, and incorporates management's best estimate of salary escalation, retirement ages of employees, and expected benefit costs.

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. Past service costs arising from plan amendments are charged to income in the year of the plan amendment.

Defined contribution plan accounting is applied to the hospital's multi-employer defined benefit pension plan. Contributions for current and past service costs are expensed in the year in which they become due.

#### **Foreign Currency**

**Translations** Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities, and non-monetary items included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

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# Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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## 1. Significant Accounting Policies (continued)

### Asset Retirement

#### Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

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## 2. Change in Accounting Policy

Effective April 1, 2022, the hospital adopted new Public Sector Accounting Handbook Standard 3280: Asset Retirement Obligations. The standard requires that the hospital evaluate their assets for any potential asset retirement obligations. This change in accounting policy has been made in accordance with the modified retrospective approach of the standard. Under this method, the asset retirement obligation liability, adjusted for accumulated accretion to date, was measured as of April 1, 2022 with a corresponding adjustment to capital assets, accumulated amortization and net assets. The impact of adoption of this standard at April 1, 2022 was as follows:

Net assets	\$495,059
Asset retirement obligation	(557,499)
Capital assets	62,440

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## 3. Cash

Cash includes bank deposits that are held at one chartered bank. The accounts earn interest at a rate of bank prime less 2% on balances up to \$3,000,000 and bank prime less 1.75% on balances over \$3,000,000, payable monthly.

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2023**

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#### 4. Investments Held for Capital Purposes

	<u>2023</u>	<u>2022</u>
Mutual funds and equities	\$ 4,623,897	\$ 4,830,704
Foreign currency mutual funds and equities	<u>1,573,610</u>	<u>1,380,275</u>
	<u>\$ 6,197,507</u>	<u>\$ 6,210,979</u>

Investments have a cost of \$5,850,490 (2022 - \$5,778,203).

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All investments held by Hanover and District Hospital are level 1.

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2023**

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### 5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 278,748	\$ -	\$ 278,748	\$ -
Land improvements	880,779	872,671	880,779	833,011
Building and building service equipment	14,897,031	7,571,626	13,459,054	6,701,769
Construction in progress	-	-	80,422	-
Equipment	13,592,284	8,664,492	13,356,376	8,452,148
	<b>\$29,648,842</b>	<b>\$17,108,789</b>	<b>\$ 28,055,379</b>	<b>\$ 15,986,928</b>
Net book value		<b>\$12,540,053</b>		<b>\$ 12,068,451</b>

The carrying value of capital assets not being amortized because they are under construction, development, or have been removed from service is \$nil (2022 - \$80,422).

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 6. Post-Employment Benefits

#### Pension Plan

Substantially all of the employees of the hospital are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. The contributions made to the plan during the year totaled \$822,666 (2022 - \$807,334) by the hospital, and \$652,910 (2022 - \$640,741) by the employees. The hospital's contributions are included in employee benefits on the statement of operations. At December 31, 2022, the pension plan reported a surplus of \$11.0 billion (2021 - \$28.5 billion).

#### Retirement Benefits

The hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The hospital's accrued benefit obligation and liability at March 31 is determined as follows:

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation	\$ 549,800	\$ 337,200
Unamortized actuarial gains (losses)	<u>(89,000)</u>	<u>114,500</u>
Liability	<u>\$ 460,800</u>	<u>\$ 451,700</u>

The most recent actuarial valuation was prepared as at March 31, 2023. The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, and employee turnover and mortality. The assumptions used reflect the hospital's best estimates. In measuring the hospital's accrued benefit obligation, a discount rate of 3.70% was assumed to determine the accrued benefit obligation and a discount rate of 4.50% was assumed to determine the benefit cost. For extended health care costs, a 5.60% annual rate of increase was assumed for 2023. For dental costs a 5.00% annual rate of increase was assumed. Actual results could differ from this estimate as additional information becomes available in the future.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 6. Post-Employment Benefits (continued)

The total expense related to post-employment benefits other than pensions includes the following components:

	<u>2023</u>	<u>2022</u>
Current year benefit cost	\$ 31,900	\$ 32,700
Interest on accrued benefit obligation	13,200	11,300
Amortization of actuarial losses (gains)	<u>(10,300)</u>	<u>(8,400)</u>
Total expense for the year	34,800	35,600
Benefit payments	<u>(25,700)</u>	<u>(26,200)</u>
Change in liability for the year	<u>\$ 9,100</u>	<u>\$ 9,400</u>

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### 7. Asset Retirement Obligation

The hospital's financial statements include an asset retirement obligation for the building that the hospital operates out of. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using an undiscounted cash flow method.

The carrying amount of the liability is as follows:

Increase due to the adoption of Asset Retirement Obligation standard at April 1, 2022	<u>\$ 557,499</u>
Asset retirement obligation as at March 31, 2023	<u>\$ 557,499</u>

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2023**

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### 8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent restricted contributions with which hospital capital assets have been purchased. The change in the deferred contributions balance for the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 5,515,871	\$ 4,734,537
Contributions received	836,537	1,316,901
Amortization recognized as revenue during the year	<u>(637,565)</u>	<u>(535,567)</u>
Balance, end of year	<u>\$ 5,714,843</u>	<u>\$ 5,515,871</u>

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### 9. Net Assets Invested in Capital Assets

Net assets invested in capital assets is made up as follows:

	<u>2023</u>	<u>2022</u>
Capital assets	\$12,540,053	\$ 12,068,451
Less amounts financed by Deferred contributions	<u>(5,714,843)</u>	<u>(5,515,871)</u>
Balance, end of year	<u>\$ 6,825,210</u>	<u>\$ 6,552,580</u>

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 10. Related Party Transactions

#### Hanover and District Hospital Foundation

Hanover and District Hospital exercises significant influence over Hanover and District Hospital Foundation by virtue of its ability to appoint some of the Foundation's board of directors. The Foundation was established to raise funds for the use of the hospital, is incorporated without share capital under the laws of the Province of Ontario, and is a registered charity under the Income Tax Act.

#### Hanover and District Hospital Auxiliary

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

The following contributions and recoveries were received or receivable during the year:

	<u>2023</u>	<u>2022</u>
Hanover and District Hospital Foundation	\$ 324,822	\$ 896,118

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2023**

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### 11. Statement of Cash Flows

The change in non-cash working capital balances is made up as follows:

	<u>2023</u>	<u>2022</u>
Decrease (increase) in accounts receivable	\$ 67,574	\$ 444,772
Decrease (increase) in inventory	(12,225)	35,168
Decrease (increase) in prepaid expenses	(839)	(37,594)
Increase (decrease) in accounts payable	<u>184,532</u>	<u>(34,696)</u>
	<u>\$ 239,042</u>	<u>\$ 407,650</u>

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### 12. Contingent Liabilities

Hanover and District Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario), and a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2023 with respect to claims.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 13. Financial Instrument Risk Management

The hospital's financial instruments consist of cash, accounts receivable, investments held for capital purposes, and accounts payable. The hospital's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk, currency risk and other price risk. Unless otherwise noted, it is management's opinion that the hospital is not exposed to significant interest, or credit risks arising from these financial instruments.

#### *General objectives, policies, and processes*

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's management. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Ministry of Health is responsible for the funding and organization of health care services. Hanover and District Hospital has negotiated a Hospital Service Accountability Agreement for the 2023 fiscal year with the Ministry of Health. This agreement requires the submission of budgets and sets out performance standards, including maintaining a current ratio between 0.8 and 2.0.

#### *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk. The hospital's investment policy limits equity instruments to 30% of the fair value of the total investment portfolio. At March 31, 2023, a 10% movement in stock markets with all other variables held constant, could impact the market value of the equity instruments held by \$255,005 (2022 - \$274,475).

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2023

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### 13. Financial Instrument Risk Management (continued)

#### *Interest rate risk*

Interest rate risk is the risk of financial loss caused by fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

The hospital is exposed to interest rate risk through its interest-bearing investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible and holding the investments until maturity.

#### *Credit risk*

Credit risk is the risk of financial loss caused by a debtor failing to make payments of interest and principal when due. The hospital is exposed to credit risk through its cash and investment certificates in its investment portfolio, and accounts receivable.

The hospital holds its cash accounts at a federally regulated chartered bank and is insured under the Canadian Deposit Insurance Corporation up to \$100,000.

Accounts receivable are primarily due from the Ministry of Health and OHIP. Credit risk is mitigated by the financial solvency of the provincial government. At March 31, 2023, there are no significant accounts receivable that are past due.

The hospital's investments include investment certificates, government debt securities and equities.

The hospital's maximum exposure to credit risk is the carrying value of the financial assets.

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## Hanover and District Hospital Notes to Financial Statements

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### 13. Financial Instrument Risk Management (continued)

#### *Liquidity risk*

Liquidity risk is the risk that the hospital will not be able to meet its financial obligations as they fall due. The hospital has a planning and budgeting process in place to help determine the funds required to support the hospital's normal operating requirements on an ongoing basis. The hospital ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At March 31, 2023, the hospital's accounts payable are due on demand.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The hospital is exposed to currency risk through its investments held for capital purposes. The hospital manages its currency risk through regular portfolio reviews.

The hospital has \$1,573,610 (2021 - \$1,380,275) of foreign denominated investments for which the hospital does not use derivatives to mitigate the foreign exchange risk.

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