

Haliburton Highlands Health Services

Financial Statements

For the year ended March 31, 2024

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Independent Auditor's Report

To the Board of Directors of Haliburton Highlands Health Services

Opinion

We have audited the financial statements of Haliburton Highlands Health Services (the Hospital), which comprise the statement of financial position as at March 31, 2024, and the statement of operations and net assets (debt), the statement of 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, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that as of March 31, 2024, the Hospital's current liabilities exceeded its current assets by \$6,496,532, representing a working capital deficit. In addition, the continued deficits over the past years as resulted in an accumulated deficit of \$5,553,396. As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Hospital's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Haliburton Highlands Health Services for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on June 22, 2023.

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 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.

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 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
Lindsay, Ontario
June 14, 2024

Haliburton Highlands Health Services Statement of Financial Position

March 31 2024 2023

Assets

Current assets

Cash (Note 4)	\$ 3,672,277	\$ 201,143
Investments (Note 5)	298,620	96,780
Accounts receivable (Note 6)	2,757,542	2,964,137
Inventories	198,803	208,778
Prepaid expenses	580,275	390,210

7,507,517 3,861,048

Investments (Note 5) 155,782 539,113

Capital assets (Note 7) 19,985,946 20,477,891

\$ 27,649,245 \$ 24,878,052

Liabilities and Net Assets

Current liabilities

Bank indebtedness (Note 4)	\$ -	\$ 577,963
Ontario Health advance (Note 4)	6,600,000	-
Accounts payable and accrued liabilities (Note 8)	7,002,435	7,371,186
Current portion of long-term debt (Note 9)	401,614	380,655

14,004,049 8,329,804

Employee future benefits (Note 13) 1,338,400 1,302,000

Deferred capital contributions (Note 11) 15,413,770 15,661,435

Long-term debt (Note 9) 2,425,177 2,826,791

Asset retirement obligation (Note 10) 21,245 20,679

33,202,641 28,140,709

Unrestricted net debt (Note 12) (5,553,396) (3,262,657)

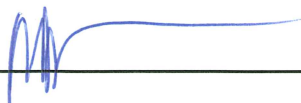
\$ 27,649,245 \$ 24,878,052

Contingencies and commitments (Note 17)

Approved by:



Director



President and CEO

The accompanying notes are an integral part of these financial statements

Haliburton Highlands Health Services Statement of Operations and Net Assets(Debt)

For the year ended March 31	2024	2023
Revenues		
Ministries of Health and Long-term Care	\$ 32,565,713	\$ 28,383,832
Long-Term Care residents fees	2,414,111	2,442,298
Other patient revenues	1,446,220	1,209,850
Other operating revenue	1,211,140	1,598,898
Amortization of deferred contributions related to equipment	400,229	647,195
	38,037,413	34,282,073
Expenses		
Wages and benefits	23,113,960	20,174,447
Medical compensation	4,312,534	5,019,308
Purchased services	3,100,834	4,530,024
Supplies and other expenses	7,850,004	7,198,886
Drugs and medical supplies	742,409	627,840
Interest on long-term debt	130,254	129,694
Equipment amortization	923,026	819,927
	40,173,021	38,500,126
Surplus (deficit) before building amortization	(2,135,608)	(4,218,053)
Amortization of deferred contributions for buildings	771,666	760,335
Amortization for buildings	(926,797)	(941,079)
Gain on sale of capital assets	-	223,899
	(155,131)	43,155
Net deficit	(2,290,739)	(4,174,898)
Unrestricted net assets (debt), beginning of year	(3,262,657)	912,241
Unrestricted net assets (debt), end of year (Note 12)	\$ (5,553,396)	\$ (3,262,657)

Haliburton Highlands Health Services Statement of Cash Flows

For the year ended March 31

2024

2023

Cash provided by (used in)

Operating

Net deficit	\$ (2,290,739)	\$ (4,174,898)
Items not involving cash		
Equipment amortization	923,026	819,927
Building amortization	926,797	941,079
Gain on sale of capital assets	-	(223,899)
Amortization of deferred contributions related to capital assets	(1,171,895)	(1,407,530)
Employee future benefits	36,400	300
Asset retirement obligation	566	21,332
	(1,575,845)	(4,023,689)

Changes in non-cash working capital balances

Accounts receivable	206,595	2,021,352
Inventories	9,975	16,455
Prepaid expenses	(190,065)	147,294
Accounts payable and accrued liabilities	(368,751)	(465,528)
	(1,918,091)	(2,304,116)

Capital

Additions to capital assets	(1,357,878)	(764,381)
Proceeds from sale of capital assets	-	432,184
Proceeds from grants and donations	924,230	242,369
	(433,648)	(89,828)

Investing

Proceeds from investments	181,491	43,975
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Financing

Acquisition of short-term financing	6,600,000	577,963
Repayment of short-term financing	(577,963)	-
Repayment of long-term financing	(380,655)	(369,112)
Transfer of restricted cash	-	856,853
	5,641,382	1,065,704

Increase/(decrease) in cash

Cash, beginning of year	3,471,134	(1,284,265)
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Cash, end of year

	201,143	1,485,408
	\$ 3,672,277	\$ 201,143

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies

Nature of Organization

The Haliburton Highlands Health Services Corporation (the Hospital) was incorporated without share capital on February 19, 1996 and is responsible for the development and operation of health services required by the people of the County of Haliburton and the surrounding area. The Hospital also operates two Long-Term Care facilities and several community programs serving the residents of the County of Haliburton. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

Cash

Cash consists of cash on hand, bank balances and other short term highly liquid instruments with maturities of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Retirement, Post-Employment Benefits and Compensated Absences

These benefits include life, extended health and dental insurance to certain employee groups. The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments 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. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

The Hospital is also an employer member of the Healthcare of Ontario Pension Plan (the "plan"), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Hospital has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles.

Compensation for vacation and sick leave is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

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 Ministry of Long Term Care ("MLTC"). The board of directors recognizes the Hospital's ongoing dependency on the MOH and MLTC as the primary funding source for the Hospital's operating activities.

As provided under the Local Health System Integration Act, 2006, effective April 1, 2007, the MOH assigned to Ontario Health (OH, previously the Local Health Integration Network) all its rights, duties and obligations under its Hospital Service Accountability Agreement (the "H-SAA"). This assignment enables OH to take on full responsibility for planning, funding and integrating health services in the OH area, which includes the Hospital. The H-SAA also sets out 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 of obligations, the MOH, OH or MLTC has the right to adjust funding received by the Hospital. The MOH, OH and MLTC are 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 funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Amortization of buildings is not funded by the OH and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations and net assets with the corresponding realization of revenue for deferred contributions.

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 contributions are recognized as revenue in the year in which the related expenditures are recognized.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenues from patient services, preferred accommodation, and marketed services are recognized when the goods are sold or services provided.

Long-term care resident fees are recognized as revenue in the period for which they are earned at rates determined by the Ministry of Long-Term Care.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost less accumulated amortization and impairment, if any. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Construction in progress includes costs directly attributable to construction plus directly related interest charges. Construction in progress is not amortized until construction is substantially complete and assets are ready for use. 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.

Capital assets are amortized on a straight-line basis over their useful lives, which have been estimated as follows:

Land improvements	6.67% - 10%
Buildings	2.5% - 10%
Equipment	6.67% - 20%

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 asset is unrecognized or no longer in productive use, the asset retirement cost are expensed.

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. The principal estimates used in the preparation of these financial statements are the determination of allowance for doubtful accounts, actuarial estimation of the liability for post-retirement benefits and compensated absences, estimated useful life of capital assets, asset retirement obligations, amortization of deferred capital contributions, pay equity accrual, ministry funding adjustments, contingencies and fair value disclosures. Actual results could differ from management's best estimates as additional information becomes available in the future.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes cash. It is initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations and net assets. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount that is held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized Cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations and net assets.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

2. Going Concern

These financial statements have been prepared on a going concern basis and assumes the Hospital will continue its operations for the foreseeable future by maintaining or improving services and programs and realizing its assets and discharging its liabilities and commitments in the normal course of business.

The Hospital, primarily funded by the Ontario Ministry of Health, Ministry of Long-Term Care and Ontario Health, has been experiencing financial difficulties and required an emergency cash advance (Note 4) from Ontario Health to avoid multiple high-risk cash failure events during the year. The Hospital incurred a loss from operations during the year ended March 31, 2024, of \$2,290,739 and its current liabilities exceeded its current assets by \$6,496,532, representing a working capital deficit.

The Hospital's ability to continue as a going concern is dependent on securing adequate cash flows to meet its current obligations on a timely basis and to attain positive cash flows to sustain its ongoing operations. The Hospital continues to work with Ontario Health and the Ministry of Health and Ministry of Long-term care to right size its funding and in the interim is supported through one time funding grants. The proposed long-term plan includes a structural base funding correction and implementation of organizational efficiencies.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary should the Hospital be unable to continue as a going concern.

3. Financial Instrument Classification

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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

Cash and investments are included in Level 1. There were no transfers between Level 1 and Level 2 for the years ended March 31, 2024 and 2023. There were also no transfers in or out of level 3.

4. Credit Facility

The Hospital has available to it a revolving demand facility with a maximum limit of \$2,500,000 (2023 - \$2,500,000). Interest is charged on advances monthly at a rate of prime and the balance is due on demand. The line of credit is secured by a general security agreement. As at March 31, 2024, \$Nil (2023 - \$577,963) was outstanding on this facility.

Ontario Health has advanced the Hospital \$6,600,000 as a temporary measure to assist with cash flow. The advance is non interest bearing and is due by June 28, 2024.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

5. Investments

Investments are guaranteed investment certificates which have maturity dates ranging between April 2024 and August 2025 (2023 - August 2023 and August 2025) with effective yields between 1.41% and 4.38% (2023 - 0.95% and 4.38%).

6. Accounts Receivable

	2024	2023
Ministry of Health and Ontario Health	\$ 1,242,581	\$ 1,549,025
Self-pay and other agencies	1,720,348	1,489,583
	2,962,929	3,038,608
Less: Allowance for doubtful accounts	(205,387)	(74,471)
	\$ 2,757,542	\$ 2,964,137

7. Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 322,660	\$ -	\$ 322,660	\$ -
Land improvements	546,695	450,242	546,695	436,463
Buildings	29,599,660	15,700,873	29,205,390	14,801,297
Equipment	13,953,138	8,947,305	13,342,853	8,027,430
	44,422,153	25,098,420	43,417,598	23,265,190
Projects under construction	662,213	-	325,483	-
	\$ 45,084,366	\$ 25,098,420	\$ 43,743,081	\$ 23,265,190
Net book value		\$ 19,985,946		\$ 20,477,891

Haliburton Highlands Health Services Notes to Financial Statements

March 31, 2024

8. Accounts Payable

	2024	2023
Ministry of Health, Ministry of Long-Term Care and Ontario Health	\$ 1,533,661	\$ 2,018,696
Trade payables and accrued liabilities	3,575,032	3,469,795
Wages and other payroll accruals	1,893,742	1,882,695
	\$ 7,002,435	\$ 7,371,186

9. Long-term debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2024	2023
Variable rate first mortgage loan bearing interest at 3.28% per annum, repayable in monthly principal and interest payments of \$752, due December 2024, secured by certain property	\$ 17,628	\$ 25,922
Fixed rate non-revolving loan bearing interest at 3.04% per annum, repayable in monthly principal and interest payments of \$24,185, due May 1, 2030.	1,630,133	1,866,900
Fixed rate non-revolving loan bearing interest at 3.15% per annum, repayable in monthly principal and interest payments of \$14,588, due October 2031.	1,179,030	1,314,624
	2,826,791	3,207,446
Less current portion	401,614	380,655
	\$ 2,425,177	\$ 2,826,791

The annual payments required on long-term debt are as follows:

2025	\$ 401,614
2026	385,978
2027	408,346
2028	421,101
2029	434,253
Thereafter	775,499
	\$ 2,826,791

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

10. Asset Retirement Obligations

The Hospital's financial statements include an asset retirement obligation for the waste disposal and recycling of various hospital equipment owned by the Hospital. The related asset retirement costs are being amortized on a straight line basis. The equipment have expected useful lives ranging from 5-7 years. Estimated costs have been discounted to the present value using a discount rate of 3.0%.

The carrying amount of the liability is as follows:

	2024	2023
Asset retirement obligation, beginning of year	\$ 20,679	\$ 20,026
Increase due to accretion expense	566	653
	\$ 21,245	\$ 20,679

11. Deferred Capital Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and net assets.

	2024	2023
Balance, beginning of year	\$ 15,661,435	\$ 16,826,696
Additional funding received	924,230	242,269
Less: Amounts amortized to revenue	(1,171,895)	(1,407,530)
	\$ 15,413,770	\$ 15,661,435

12. Unrestricted Net Assets (Debt)

The Hospital's unrestricted net asset deficiency of \$5,553,396 consists of \$1,724,140 invested in capital assets and a \$7,277,536 deficiency (2023 - \$4,850,988) in remaining net assets. The investment in capital assets is calculated as follows:

	2024	2023
Capital assets	\$ 19,985,946	\$ 20,477,891
Amounts financed by deferred contributions	(15,413,770)	(15,661,435)
Amounts financed by long term debt	(2,826,791)	(3,207,446)
Asset retirement obligations	(21,245)	(20,679)
	\$ 1,724,140	\$ 1,588,331

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

13. Employee Future Benefits

The Hospital sponsors a defined benefit employee future benefit plan offering post-retirement non-pension benefits covering substantially all employees. The employee future benefits include non-pension post-employment benefits providing health, dental, and life insurance benefits to employees. The costs of employee future benefits are accrued over the periods in which employees earn the benefits.

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent actuarial report was prepared as at March 31, 2024.

Accrued Benefit Obligation	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,165,400	\$ 1,188,300
Current service expense	73,300	69,200
Interest	50,300	46,600
Benefits paid during year	(99,700)	(120,200)
Actuarial (gain) loss	229,700	(18,500)
Change to plan	56,100	-
	<u>\$ 1,475,100</u>	<u>\$ 1,165,400</u>

Post-employment Benefit Liability	<u>2024</u>	<u>2023</u>
Accrued benefit obligation	\$ 1,475,100	\$ 1,165,400
Unamortized experience gain/(loss)	(136,700)	136,600
	<u>\$ 1,338,400</u>	<u>\$ 1,302,000</u>

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, employee turnover, and mortality. The assumptions used reflecting the Hospital's best estimates are:

- The discount rate used to determine the accrued benefit obligation is 3.95% (2023 - 3.89%)
- The discount rate used to determine the benefit cost is 4.04% (2023 - 4.04%)
- The dental cost trend rate used was 5.00% until 2028, decreasing by 0.13% per year to 3.59% in 2036 and decreasing thereafter to 3.57% in 2040
- Extended health care trend rate used was 5.97% until 2028 and decreasing thereafter to 3.57% by 2040.

The post-employment benefit expense is reported as a component of current expenditures on the statement of operations and net assets. Composition of the amount is as follows:

	<u>2024</u>	<u>2023</u>
Current service costs	\$ 73,300	\$ 69,200
Interest on post-employment benefit liability	50,300	46,600
Plan amendments	56,100	-
Net actuarial (gain) loss amortized in the year	12,500	4,700
	<u>\$ 192,200</u>	<u>\$ 120,500</u>

The above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan (HOOPP), a multi-employer plan, described in Note 14.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

14. Pension Plan

The Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 460,381 active and retired members and approximately 677 employers. Substantially all of the full-time employees and some of the part-time employees are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due.

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2023 disclosed a surplus of \$10 billion. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$194 billion in respect of benefits accrued for service with actuarial assets at that date of \$204 billion.

Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made to the plan during the year by the Hospital and employees amounted to \$1,168,580 (2023 - \$984,412) and \$927,443 (2023 - \$781,279) respectively.

15. Trust Funds

Trust funds represent funds held on on behalf of others. These funds are not co-mingled with the Hospital's assets, and consequently are not included in the statement of financial position. Any investment income earned is retained in the fund or used in accordance with the trust fund purpose.

	<u>2024</u>	<u>2023</u>
Long-term Care Residents' Trust Funds to be used for the personal care and needs of specific individual residents of Hyland Crest and Highland Wood	\$ 36,347	\$ 26,438
Elizabeth Harrison Trust Fund to be used for the benefit of Hyland Crest residents at the discretion of the Residents' Council	46,250	43,976
	<u>\$ 82,597</u>	<u>\$ 70,414</u>

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

16. Related Party Transactions

Haliburton Highlands Health Services Foundation

The Hospital has an economic interest in Haliburton Highlands Health Services Foundation (the Foundation). The Foundation was established to raise funds for charities and, in particular, the Hospital. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). The Foundation also holds an adjacent property in Trust for the Hospital, which the Hospital's Human Resources department operates out of. Related party transactions from the Foundation during the year not separately disclosed in the financial statements include contributions in the amount of \$598,909 (2023 - \$336,469). The Foundation occupies an office in each of the Haliburton and Minden facilities. This space, together with the use of office furniture, computer equipment, and various office and payroll services, is provided to the Foundation at no charge by the Hospital. At March 31, 2024, the Hospital had recorded net receivables from the Foundation amounting to \$80,405 (2023 - \$12,412). Subsequent to year end a memorandum of understanding between the Hospital and the Foundation was approved.

Net resources of the Foundation amount to approximately \$2,118,000 as at March 31, 2024 with the balance being available to the Hospital for uses consistent with the intent of the donors and the objects of the foundation at the discretion of the Foundation's Board of Directors. The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

Hospital Auxiliaries

The Hospital has an economic interest in the Minden Health Care Auxiliary, which was established to raise funds for the hospital. The Auxiliary was incorporated and is registered charity under the Income Tax Act (Canada). Related party transactions during the year not separately disclosed in the financial statements include contributions in the amount of \$2,044 (2023 - \$13,080) from the Auxiliary which the Hospital uses as designated by the Auxiliary. The net assets and results from operations of the Auxiliary is not included in the statements of the Hospital.

Haliburton Highlands Health Services

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17. Contingencies and Commitments

Litigation

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2024 management believes the Hospital has valid defences 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.

Contractual Obligations

The Hospital has a Strategic Alliance Agreement with Ross Memorial Hospital in Lindsay ("Ross") as a result of an integration process facilitated by the Central East Region of Ontario Health. Ross provides the Hospital with support services in the following functional areas: combined information technology department, regional CIO, diagnostic imaging leadership, sterile reprocessing, laboratory, procurement and pharmacy services. Annual aggregate fees for these services are approximately \$480,000 plus transactional costs and overhead charges where applicable.

The Hospital has a Service Agreement with Peterborough Regional Health Centre for the provision of laboratory services. The fees vary depending on volume and utilization and are invoiced monthly as incurred.

The Hospital is a partner in a comprehensive regional services agreement for a clinical information system. As additional features are added over the years, they will be added to the cost of the infrastructure project. Under the agreement the Hospital is responsible for specific annual costs relating to a proportionate share of the infrastructure's regional costs. The Hospital's share of the commitment over the next eight years is approximately \$2 million.

The Hospital is currently in construction of a new mammography and CT scanner location within the Haliburton location. The construction is expected to be completed in 2024. The committed cost to the project is estimated to be approximately \$3 million.

The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a provider of healthcare liability insurance which provides for the pooling of liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members. Members are also entitled to a refund, should a surplus exist. No negative reassessments have been made to March 31, 2024.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

18. Financial Instrument Risk Management

The Hospital is exposed to various risks associated with its financial assets and liabilities as described below. Unless otherwise noted, there has been no change from the prior year in risk exposure or policies, procedures and methods used to measure the risks.

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 through extensive budgeting. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2024			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Short-term borrowing	\$ 6,600,000	\$ -	\$ -	\$ -
Accounts payable	7,002,435	-	-	-
Long-term debt	200,807	200,807	1,649,678	775,499
	\$ 13,803,242	\$ 200,807	\$ 1,649,678	\$ 775,499

	2023			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Short-term borrowing	\$ 577,963	\$ -	\$ -	\$ -
Accounts payable	7,371,186	-	-	-
Long-term debt	190,327	190,328	1,627,065	1,199,726
	\$ 8,139,476	\$ 190,328	\$ 1,627,065	\$ 1,199,726

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk on its interest bearing financial instruments consisting of the investments (Note 5), credit facility (Note 4), and the long-term debt (Note 9).

Changes in the bank's prime interest rate can cause fluctuations in interest payments and future cash flows with respect to the credit facility. The long-term debt and investments are at fixed rates of interest and payments are based on contractual requirements therefore the exposure to fluctuations in future cash flows as a result of changes in interest rates is limited until maturity of the instruments.

Haliburton Highlands Health Services

Notes to Financial Statements

March 31, 2024

18. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or 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 portfolio is exposed to market risk and the portfolio is monitored by management and the board of directors.

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash, investments, grants receivable and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$100,000.

Accounts receivable are primarily due from OHIP, the Ministry of Health, Ministry of Long-Term Care, patients and long term care residents. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections. The amounts outstanding at year end were as follows:

As at March 31, 2024	Past Due				
	Total	Current	31-60 Days	61-90 Days	91+ Days
OHIP	\$ -	\$ -	\$ -	\$ -	-
MOH/OH	1,240,931	1,882	-	48,449	1,190,600
Patient services	169,154	(108,883)	137,715	-	140,322
Other	1,552,844	1,552,844	-	-	-
Gross receivables	2,962,929	1,445,843	137,715	48,449	1,330,922
Impairment allowance	(205,387)	(205,387)	-	-	-
Net receivables	<u>\$2,757,542</u>	<u>\$ 1,240,456</u>	<u>\$ 137,715</u>	<u>\$ 48,449</u>	<u>\$1,330,922</u>

As at March 31, 2023	Past Due				
	Total	Current	31-60 Days	61-90 Days	91+ Days
OHIP	\$ 1,096	\$ 1,096	\$ -	\$ -	-
MOH/OH	1,547,929	9,521	264,074	615,167	659,167
Other	1,489,583	103,651	1,119,470	64,990	201,472
Gross receivables	3,038,608	114,268	1,383,544	680,157	860,639
Impairment allowance	(74,471)	-	-	(11,171)	(63,300)
Net receivables	<u>\$ 2,964,137</u>	<u>\$ 114,268</u>	<u>\$ 1,383,544</u>	<u>\$ 668,986</u>	<u>\$ 797,339</u>

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on their past history of payment believes that these balances will be collected.

Haliburton Highlands Health Services Notes to Financial Statements

March 31, 2024

19. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.
