

**CAMPBELLFORD MEMORIAL HOSPITAL**  
**FINANCIAL STATEMENTS**  
**As at March 31, 2014**

As at May 26, 2014

**CAMPBELLFORD MEMORIAL HOSPITAL  
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AS AT MARCH 31, 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Campbellford Memorial Hospital

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Campbellford Memorial Hospital, which comprise the statements of financial position as at March 31, 2014, and the statements of changes in net assets (deficiency), operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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 for government not-for-profit organizations, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS**

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## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Campbellford Memorial Hospital as at March 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

*Wilkinson & Company LLP*

TRENTON, Canada  
May 26, 2014

Chartered Accountants  
Licensed Public Accountants

**Campbellford Memorial Hospital  
Statement of Financial Position**

	As At March 31, 2014	As At March 31, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$308,627	\$587,279
Accounts Receivable - Note 2	993,187	544,762
Inventory - Note 3	196,795	191,129
Prepaid expenses	341,782	320,834
<b>Total Current Assets</b>	<b>1,840,391</b>	<b>1,644,004</b>
Long-Term Receivable - Note 4	392,000	462,000
Construction in Progress	0	6,125
Tangible Capital Assets - Note 5	7,259,923	7,765,416
<b>Total Assets</b>	<b>\$9,492,314</b>	<b>\$9,877,545</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and accrued liabilities - Note 6	\$2,983,755	\$3,180,500
Short Term Borrowing - Note 7	0	0
Current portion of long-term debt - Note 8	162,270	158,996
Current portion of capital lease - Note 9	13,856	23,753
<b>Total Current Liabilities</b>	<b>3,159,881</b>	<b>3,363,249</b>
Deferred Capital Contributions - Note 10	4,702,803	4,687,390
Long Term Debt - Note 8	1,635,342	1,797,678
Capital Lease - Note 9	0	13,856
Post Employment Benefits - Note 11	1,484,600	1,732,600
	<b>10,982,626</b>	<b>11,594,773</b>
<b>NET ASSETS</b>		
Invested in Tangible Capital Assets - Note 12	745,652	1,059,378
Unrestricted	(2,235,964)	(2,776,606)
	(1,490,312)	(1,717,228)
	<b>\$9,492,314</b>	<b>\$9,877,545</b>

**COMMITMENTS - NOTE 17**

**APPROVED ON BEHALF OF THE BOARD**

**ORIGINAL SIGNATURE ON FILE**

Director

**ORIGINAL SIGNATURE ON FILE**

Director

The accompanying notes form an integral part of these financial statements

**Campbellford Memorial Hospital  
Statement of Operations**

For the year ended	March 31, 2014	March 31, 2013
<b>REVENUE</b>		
Ministry of Health and Long-Term Care and Local Health		
Integration Network - Global Funding	\$ 12,843,254	\$ 12,743,187
Physician transfer funding	2,310,684	2,489,552
Diabetes education program	145,226	145,354
One-time operating funding - Note 14	1,083,828	429,635
Patient Revenue	1,367,910	1,353,393
Amortization of deferred capital contribution - Note 10	410,294	411,889
Other revenues	708,274	648,543
<b>TOTAL REVENUE</b>	<b>18,869,470</b>	<b>18,221,554</b>
<b>EXPENSES</b>		
<b>DIRECT EXPENSES</b>		
Salaries and benefits	11,228,396	10,903,164
Post-employment benefits - Note 11	57,200	51,300
Physician transfer payments and medical staff	3,004,555	3,173,645
Supplies	1,391,559	1,273,041
Medical & Surgical Supplies	477,933	471,455
Drugs and Medical Gases	220,073	205,129
Sundry	1,086,644	933,165
Equipment Expenses	772,383	774,310
Amortization of Tangible Capital Assets - Equipment - Note 5	430,287	432,342
<b>TOTAL DIRECT EXPENSES</b>	<b>18,669,030</b>	<b>18,217,550</b>
<b>EXCESS OF REVENUE OVER DIRECT EXPENSES FOR THE YEAR</b>	<b>200,440</b>	<b>4,004</b>
<b>SEPARATELY FUNDED PROGRAMS - Note 15</b>	<b>-</b>	<b>-</b>
<b>OTHER</b>		
One-time Gain (Loss) on Future Benefit Costs - Note 11	305,200	-
Amortization of deferred capital contributions - building and service equipment - Note 10	256,726	241,593
Amortization of building and service equipment - Note 5	535,450	506,748
	(278,724)	(265,155)
<b>EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR</b>	<b>\$226,916</b>	<b>(\$261,151)</b>

The accompanying notes form an integral part of these financial statements

**Campbellford Memorial Hospital**  
**Statement of Changes in Net Assets**

	For the year ended March 31, 2014		
	Invested in Tangible Capital Assets Note 12	Unrestricted	Total
BALANCE, BEGINNING OF YEAR	\$1,059,378	\$(2,776,606)	\$(1,717,228)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(298,717)	525,633	226,916
INVESTMENT IN TANGIBLE CAPITAL ASSETS	(15,009)	15,009	-
BALANCE, END OF YEAR	\$745,652	\$(2,235,964)	\$(1,490,312)

	For the year ended March 31, 2013		
	Invested in Tangible Capital Assets Note 12	Unrestricted	Total
BALANCE, BEGINNING OF YEAR	\$1,356,910	\$(2,812,987)	\$(1,456,077)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(289,757)	28,606	(261,151)
INVESTMENT IN TANGIBLE CAPITAL ASSETS	(7,775)	7,775	-
BALANCE, END OF YEAR	\$1,059,378	\$(2,776,606)	\$(1,717,228)

The accompanying notes form an integral part of these financial statements

**Campbellford Memorial Hospital**  
**Statement of Cash Flows**

For the year ended	March 31, 2014	March 31, 2013
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of expenditures over revenue	\$226,916	\$(261,151)
Items not involving cash:		
Amortization of tangible capital assets	965,737	939,647
Amortization of deferred capital contributions	(667,020)	(653,482)
Gain on disposal of tangible capital assets	-	(8,635)
Increase (decrease) in future employee benefits obligation	(248,000)	51,300
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(448,425)	67,981
(Increase) decrease in inventories	(5,666)	8,895
(Increase) decrease in Prepaid Expenses	(20,948)	(22,660)
Increase (decrease) in Accounts Payable and Accrued Liabilities	(196,746)	677,569
	(394,152)	799,464
<b>FINANCING</b>		
Increase (decrease) in bank indebtedness	-	(294,134)
Long-term debt obligation repayments	(159,062)	(640,610)
Long-term debt obligation advanced	-	1,050,000
(Increase) decrease in long-term receivable	70,000	62,071
Capital lease obligation repayments	(23,753)	(23,753)
	(112,815)	153,574
<b>CAPITAL</b>		
Contributions received for capital purposes	682,433	280,593
Proceeds on disposal of tangible capital assets	-	12,227
Construction in progress	-	19,154
Purchase of tangible capital assets	(454,119)	(678,708)
	228,314	(366,734)
<b>NET INCREASE (DECREASE) IN CASH FOR YEAR</b>	(278,652)	586,304
<b>CASH - BEGINNING OF YEAR</b>	587,279	975
<b>CASH- END OF YEAR</b>	\$308,627	\$587,279

The accompanying notes form an integral part of these financial statements



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

The Campbellford Memorial Hospital (the "Hospital") is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care ("Ministry" and "MOHLTC") and the Centre East Local Health Integration Network ("CE LHIN"). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. The Ministry's stated policy is that deficits incurred by the Hospital will not be funded, and this policy has been consistently followed. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The LHIN provides operating funding including base funding, which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the LHIN. This agreement sets out the rights and obligation of the two parties in respect of funding provided to the Hospital. The H-SAA sets out the funding provided to Campbellford Memorial Hospital together with performance standards and obligation of Campbellford Memorial Hospital that establishes acceptable performance results for the Hospital.

If Campbellford Memorial Hospital does not meet certain performance standards or obligations, the Ministry has the right to adjust some funding streams received by the Hospital. Given that the Ministry is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements 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"). Significant accounting policies adopted by the Hospital are summarized as follows:

**(a) Revenue Recognition**

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

Unrestricted contributions are recognized as revenue when received or receivable.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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

Patient and other revenues are recognized as services are provided.

**(b) Contributed Services**

A substantial number of volunteers contribute a significant amount of their time each year. The fair value of these contributed services is not recorded in the financial statements.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(c) Cash and Equivalents**

Cash and equivalents consist of cash on deposit less any outstanding cheques.

**(d) Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost is determined on the first in, first out basis.

**(e) Related Entities**

Related entities include Campbellford Memorial Hospital Foundation, Campbellford Memorial Multicare Lodge, Campbellford Memorial Health Centre and Campbellford Memorial Hospital Auxiliary. The Hospital's relationship with each of these entities and the method by which they are accounted for is more fully described in Note 16.

**(f) Tangible Capital Assets**

Tangible capital assets are recorded at cost. Betterments which extend the estimated life of an asset are capitalized. Repairs and maintenance costs are charged to expense. When a tangible capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value. Gains and losses on the disposal of tangible capital assets are credited or charged to operations in the year of disposal.

Construction in progress is not recorded as a capital asset, or amortized until construction is put into service.

Tangible capital assets are amortized according to Ministry guidelines on a straight-line basis using the following annual rates:

Land improvements	10 years
Buildings	10 - 40 years
Building service equipment	10 - 25 years
Major equipment	5 - 20 years
Software licenses and fees	5 years
Equipment under capital lease	5 years

**(g) Renovations**

The costs of renovations to the Hospital building, which significantly increase its useful life and capacity, are capitalized as part of the cost of the related tangible capital assets. Renovation costs to adapt the Hospital building to changed operating conditions or to maintain normal operating efficiency are expensed as incurred.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(h) Accrued Vacation Pay**

The Hospital recognizes vacation pay as an expense on the accrual basis as entitlement is earned.

**(i) Leased Equipment**

Equipment under leases that effectively transfer substantially all of the benefits and risks of ownership to the hospital as lessee is recorded as tangible capital assets at the present value of the minimum payments under the lease with a corresponding liability for the related lease obligation. Charges to expenses are made for amortization of the equipment and interest on the lease obligation.

All other items of equipment held on lease are accounted for as operating leases.

**(j) Post-Employment Benefits**

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

(i) The cost of non-pension post-employment future benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The discount rate used in the determination of the above-mentioned liabilities is equal to the Ontario provincial cost of borrowing rates recommended for hospital use.

**(k) Management Estimates**

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, the estimated useful life of tangible capital assets, accounts payable and accrued liabilities, deferred contributions and actuarial estimation of post-employment benefits and liabilities. Actual results could differ from those estimates.

**(l) 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:

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Fair Value**

This category includes derivatives and equity instruments quoted in an active market. Financial assets and financial liabilities are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs 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 held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Related party transactions in the normal course of operations are recorded at the exchange amount.

The Hospital owns no financial instruments in this category at this time.

**Amortized cost**

This category includes accounts receivable, long-term receivable, accounts payable and accrued liabilities, bank loans and 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.

**2. ACCOUNTS RECEIVABLE**

	2014	2013
Campbellford Memorial Hospital Foundation - Note 16 (a)	\$ 77,006	\$ 27,840
Campbellford Memorial Multicare Lodge - Note 16 (b)	69,571	72,540
Campbellford Memorial Health Centre - Note 16 (c)	3,542	2,852
Campbellford Memorial Hospital Foundation - donations re capital - Notes 4 and 16 (a)	70,000	70,000
Other	773,068	371,530
	<hr/> \$993,187	<hr/> \$544,762

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**3. INVENTORIES**

Inventories are valued as noted in Accounting Policy Note 1 (c) and consist of the following:

	2014	2013
Food and dietary supplies	\$ 9,179	\$ 7,994
Drugs and medicines	71,605	74,312
Laboratory supplies	60,019	51,169
Medical and other supplies	55,992	57,654
	<hr/>	<hr/>
	\$196,795	\$191,129
	<hr/>	<hr/>

**4. LONG-TERM RECEIVABLE**

	2014	2013
Due from Campbellford Memorial Hospital Foundation	\$462,000	\$532,000
Less: Current portion included in current accounts receivable	70,000	70,000
	<hr/>	<hr/>
	\$392,000	\$462,000
	<hr/>	<hr/>

Campbellford Memorial Hospital Foundation agreed to fund the CT scanner which was purchased in 2010. The Campbellford Memorial Hospital Foundation has guaranteed the Bankers Acceptance as described in Note 8 and is committed to repay a minimum annual principal installment of \$70,000.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**5. TANGIBLE CAPITAL ASSETS**

	2014	2013
Land	\$ 298,985	\$ 298,985
Land improvements and heliport	501,291	491,947
Buildings	9,611,124	9,529,172
Building service - equipment	3,822,436	3,822,436
Major equipment - shareable	10,850,786	10,500,130
- non-shareable	16,009	16,009
Software licenses	919,585	919,585
Leasehold improvements	146,935	146,935
<b>Total Cost</b>	<b>26,167,151</b>	<b>25,725,199</b>
<b>Less: Accumulated amortization</b>	<b>18,951,764</b>	<b>18,019,164</b>
	<b>7,215,387</b>	<b>7,706,035</b>
 Equipment under capital lease	 74,226	 74,226
<b>Less: Accumulated amortization on leased tangible capital assets</b>	<b>29,690</b>	<b>14,845</b>
	<b>44,536</b>	<b>59,381</b>
 <b>Total cost less accumulated amortization</b>	 <b>\$7,259,923</b>	 <b>\$7,765,416</b>

Allocation of amortization:

	2014	2013
Equipment and software amortization	\$430,287	\$432,342
Amortization of building and service equipment	\$535,450	\$506,748

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**6. MINISTRY OF HEALTH AND LONG-TERM CARE PAYABLE**

	2014	2013
Ministry of Health and Long-Term Care		
- Diabetes program	\$ -	\$ 8,980
- Common Assessment Program for Community Mental Health	30,100	30,100
- WT Nurse Practitioner	68,796	68,796
- Ontario Telemedicine Network	51,413	38,713
- Data Quality Cleanup	19,411	19,411
- Community Mental Health	100,590	87,588
- Ontario Case Costing Initiative	47,742	47,742
- Hospital On Call	41	41
- New Graduates Funding	14,024	41,492
- Seniors Friendly Capital Funding	6,500	6,500
- Cancer Care Ontario	3,420	11,420
- Daily Access Reporting Tool	2,000	2,000
- Nursing Enhancement Funding	-	8,921
- Wait Time Strategy Funding	3,300	-
- Overhead Lifts	1,061	-
- Assess and Restore Funding	7,851	-
- Small Rural & Northern Hospital Transformation Fund	83,779	-
- SFH Assessments	1,134	-
- Enhanced Isolation Funding	5,645	-
- SFH Environmental Initiatives	5,347	-
	<b>\$452,154</b>	<b>\$371,704</b>

The above amounts are included in the accounts payable and accrued liabilities on the statement of financial position.

Government remittances payable at March 31, 2014 including federal and provincial sales tax, payroll taxes, health taxes and workers' safety insurance premiums totalled \$106,419.

**7. BANK INDEBTEDNESS**

The bank overdraft bears interest at the bank prime rate.

The Hospital has an available operating line credit facility to a maximum of \$1.2 million at March 31, 2014 (\$1.2 million at March 31, 2013) which is unsecured at the lender's prime rate and is due on demand. As at year-end, management has determined that the company has met all covenants contained in the company's banking agreement.

Interest expense incurred during the year on the operating line of credit was \$5,663 (2013 - \$17,160) and is included in interest expense.

The hospital has an available \$450,000 revolving lease line of credit which was not utilized during the year.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**8. LONG-TERM DEBT**

	2014	2013
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$2,010 including interest at a rate of 2.79% to October 2016	\$ 183,925	\$ 202,512
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$1,841 including interest at a rate of 2.96% to February 2018	172,937	189,640
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$1,534 including interest at a rate of 3.82% to November 2027.	195,810	206,520
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$6,108 including interest at a rate of 3.75% to November 2022	782,942	826,001
Bankers acceptance, secured by CT scanner, repayable in blended annual installments of \$70,000 including interest at 1.52417%	462,000	532,000
	1,797,612	1,956,673
Less current portion included in current liabilities	162,270	158,996
	<b>\$1,635,342</b>	<b>\$1,797,678</b>

Interest expense incurred on these loans during the year was \$48,994 (\$50,576 in 2013) and is included in interest expense.

Canadian public sector accounting standards for government not-for-profit organizations require that loans for which the lender can demand repayment be classified as current liabilities. Regular principal payments required on the demand term loans are due as follows:

2015	\$ 162,270
2016	165,467
2017	293,350
2018	252,250
2019	134,885
Thereafter	789,390

Security for the banker's acceptance of \$462,000 includes a guarantee and postponement of claim totaling \$462,000 signed by Campbellford Memorial Hospital Foundation.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**9. OBLIGATIONS UNDER CAPITAL LEASE**

As described in note 17(c), Campbellford Memorial Hospital has entered into the following capital lease obligations for equipment:

Year ended March 31: 2014	\$13,856
<hr/>	
Total minimum lease payments	13,856
Less amounts representing interest	-
<hr/>	
Present value of net minimum lease payments	13,856
Current portion of obligation under capital lease	13,856
<hr/>	
Long-term portion of obligations under capital lease	-
<hr/>	

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**10. DEFERRED CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of tangible capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balances are as follows:

	2014		2013	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization Restated
	\$	\$	\$	\$
<b>Donations for Capital Purposes</b>				
Balance - beginning of year	\$6,020,551	\$3,568,048	\$5,762,545	\$3,188,359
Received/receivable during year:				
Campbellford Memorial				
Hospital Foundation	157,501	-	199,998	-
Campbellford Memorial				
Hospital Auxiliary	-	-	70,000	-
Disposal of equipment	-	-	(22,587)	(22,587)
Other	9,945	-	10,595	-
Amortization for year - Note 1(a)	-	422,550	-	402,276
<b>Balance - End of year</b>	<b>\$6,187,997</b>	<b>\$3,990,598</b>	<b>\$6,020,551</b>	<b>\$3,568,048</b>
	2014		2013	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization
<b>Grants for Capital Purposes</b>				
Balance - beginning of year	\$6,419,466	\$4,184,579	\$6,419,466	\$3,933,373
Received/receivable during year	514,986	-	-	-
Amortization for year - Note 1(a)	-	244,470	-	251,206
<b>Balance - End of year</b>	<b>6,934,452</b>	<b>4,429,049</b>	<b>6,419,466</b>	<b>4,184,579</b>
<b>Combined Grants and Donations</b>	<b>13,122,450</b>	<b>8,419,647</b>	<b>12,440,017</b>	<b>7,752,627</b>
<b>Unamortized Balance</b>	<b>\$4,702,803</b>		<b>\$4,687,390</b>	

During the year, grants of \$514,986 were received/receivable. Of this amount, \$286,550 remains either unspent or the capital items were not in use as of March 31, 2014 and therefore no amortization was taken for the year.

Allocation of amortization:

	2014	2013
Equipment Donation and Grant Amortization	\$410,294	\$411,889
Building and Service Equipment Donation and Grant Amortization	\$256,726	\$241,593

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**11. POST-EMPLOYMENT BENEFITS**

The Hospital accounts for employee future benefits using accrual accounting for post-employment benefits. This method uses current market rates to estimate the present value of the post-retirement liabilities. The most recent valuation of the Hospital was performed as at March 31, 2014. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2014	2013
Balance, beginning of year	\$1,732,600	\$1,681,300
Employee future benefits expense (recovery)	(91,700)	195,900
Contributions by the Hospital	(156,300)	(144,600)
Long-term accrued benefit liability - End of the year	<u>\$1,484,600</u>	<u>\$1,732,600</u>

Reconciliation of accrued benefit obligation:

Accrued benefit obligation	\$691,000	\$1,994,400
Unamortized actuarial gains (losses)	793,600	(261,800)
Long-term accrued benefit liability - End of the year	<u>\$1,484,600</u>	<u>\$1,732,600</u>

The employee future benefit expense (recovery) included in employee benefits on the Statement of Operations is composed of:

	2014	2013
Current period benefit cost	\$ 108,700	\$ 96,100
Interest cost	79,800	86,700
Amortization of actuarial (gains) losses	25,000	13,100
Prior service costs (recovery) incurred during the period	(542,000)	-
Recognition of unamortized net actuarial gains	236,800	-
Less actual payments	(91,700) <u>156,300</u>	195,900 <u>144,600</u>
	<u>\$(248,000)</u>	<u>\$ 51,300</u>
One-time gain	\$ 305,200	-
Post-employment benefits expense	<u>57,200</u>	<u>51,300</u>
	<u>\$(248,000)</u>	<u>\$ 51,300</u>

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**11. POST-EMPLOYMENT BENEFITS (Cont'd)**

Discount rate for expense	3.94%
Discount rate for disclosure	4.36%
Dental benefits cost escalation	4%
Medical benefits cost escalation - extended health care	7.0%, decreasing 0.25% per year to an ultimate rate of 5.0%

**12. INVESTMENT IN TANGIBLE CAPITAL ASSETS**

(a). Investment in tangible capital assets represents the following:

	2014	2013
Tangible capital assets	\$7,259,923	\$ 7,765,416
Construction in progress	-	6,125
	<u>7,259,923</u>	<u>7,771,541</u>
Less amounts funded by:		
Deferred contributions used for capital asset acquisition (Note 10)	4,702,803	4,687,390
Accounts payable	-	30,490
Term debt	1,797,612	1,956,674
Capital lease	13,856	37,609
	<u>\$ 745,652</u>	<u>\$1,059,378</u>

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**12. INVESTMENT IN TANGIBLE CAPITAL ASSETS (Cont'd)**

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

	2014	2013
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to tangible capital assets	\$ 667,020	\$ 653,482
Gain (loss) on disposal of tangible capital assets	-	8,635
Proceeds on disposal of tangible capital assets	-	(12,227)
Amortization of tangible capital assets	(965,737)	(939,647)
	(298,717)	(289,757)
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets	454,119	678,708
Construction in Progress	-	(19,154)
Amounts funded by deferred capital contributions	(682,432)	(280,593)
Amounts funded by accounts payable	30,489	(1,099)
Decrease (increase) in long-term debt	159,062	(409,390)
Decrease (increase) in capital lease	23,753	23,753
	(15,009)	(7,775)
<b>CHANGE IN NET ASSETS INVESTED IN TANGIBLE CAPITAL ASSETS</b>	<b>\$ 283,708</b>	<b>\$(297,532)</b>

**13. PENSION PLAN**

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan, which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Contributions to the plan made during the year by the hospital on behalf of its employees amounted to \$674,517 (2013 - \$681,213) and are included in the statement of operations.

As of December 31, 2013, the HOOPP pension plan is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 114%, up ten percent from 2012.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
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**14. MINISTRY OF HEALTH AND LONG-TERM CARE - ONE-TIME FUNDING**

	2014	2013
Nursing - new graduates	\$ 8,469	\$ 27,000
Wait time – pay for results	125,000	14,604
Cancer Care Ontario – colonoscopy funding	45,120	39,041
Wait time strategy - surgery funds	44,774	38,600
Ontario Telemedicine Network	(39,629)	13,990
Restorative care	262,700	262,700
Chronic care funding	-	700
CT Wait time funding	32,000	33,000
Transportation Costs	22,500	-
SFH Assessments	13,866	-
Remote Echocardiography Equipment	50,000	-
Enhanced Isolation Protocols	57,390	-
SFH Environmental Initiatives	28,856	-
Small Rural & Northern Hospital Transformation Fund	459,541	-
Assess and Restore – Enhancement of Physiotherapy	4,867	-
Community Assessment Program - Travel Funding	374	-
	<hr/> \$1,083,828	<hr/> \$429,635

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**15. MINISTRY OF HEALTH AND LONG-TERM CARE - SEPARATELY FUNDED PROGRAMS**

The Ministry separately funds the operating expenses of the programs listed below. The arrangement provides that any surplus arising from each program's actual operating results for the year is refundable to the Ministry in the following year. Any deficit arising from each programs' actual operating results for the year is payable by the Hospital and is included in expenses.

	2014	2013
<b>Funding</b>		
Community Mental Health Program	\$766,125	\$744,846
Municipal Taxes	5,625	5,625
	<hr/> \$771,750	<hr/> \$750,471
<b>Expenses</b>		
Community Mental Health Program	\$766,125	\$744,846
Municipal Taxes	5,625	5,625
	<hr/> \$771,750	<hr/> \$750,471
Deficit absorbed by the Hospital	<hr/> -	<hr/> -

**16. RELATED ENTITIES**

**(a) Campbellford Memorial Hospital Foundation**

The Facility is closely related to Campbellford Memorial Hospital Foundation which was established to raise funds for charitable purposes in the community health care field as well as for the benefit of the Facility. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The net assets resulting from operations of the Foundation are not included in the statements of the Facility since the Foundation does not accumulate funds solely for the Hospital.

During the year, the Campbellford Memorial Hospital Foundation transferred and committed \$177,407 for the purchase of equipment and nursing education.

The Hospital pays various expenses on behalf of the Foundation, such as salaries and supplies for which it is reimbursed by the Foundation. At year-end, the receivable for these expenses amounted to \$77,006 (2013 - \$27,840).

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**16. RELATED ENTITIES (Cont'd)**

The Hospital has a receivable from the Foundation for capital expenditures of \$70,000 current plus \$392,000 as described in Note 4 (2013 - \$532,000).

**(b) Transactions with Campbellford Memorial Multicare Lodge**

The Campbellford Memorial Hospital leases space from the Multicare Lodge and sublets a portion of this space. By mutual agreement the Hospital pays the Multicare Lodge a rental fee equal to the rental income received from the sublet portion. Lease costs of \$74,827 and rental income of \$74,827 related to this activity are included in other expenses and income respectively.

The Hospital provides various services which are billed to the Multicare Lodge and amounted to \$79,054 during the year. Also, the Hospital pays various expenses on behalf of the Multicare Lodge, such as salaries, electricity and dietary, for which it is reimbursed by the Multicare Lodge. At the year-end, there was an amount receivable from the Multicare Lodge for these services of \$69,571.

**(c) Campbellford Memorial Health Centre and Campbellford Memorial Hospital Auxiliary**

These are also related entities in which the Hospital has an economic interest. The Health Centre provides a collegial setting intended to attract and retain medical professionals for the benefit of the community. The Hospital provides certain support services amounting to \$24,200 to the Health Centre, for which it is reimbursed. At the year-end, the receivable balance from the Health Centre was \$3,542.

The Auxiliary, through the efforts of its volunteers, promotes the interests of the Hospital and raises significant funds to assist the Hospital to acquire medical equipment.

**17. COMMITMENTS**

**(a) Members' Agreement with Booth Centennial Healthcare Linen Services**

A members' agreement, signed April 18, 2002 exists between Booth Centennial Healthcare Linen Services and Campbellford Memorial Hospital whereby all laundry services required at the Hospital are supplied by Booth Centennial Healthcare Linen Services. This company was incorporated without share capital for the purpose of providing central facility laundry and linen services to its members. The participating members become members of Booth Centennial Healthcare Linen Services.



**CAMPBELLFORD MEMORIAL HOSPITAL  
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**17. COMMITMENTS (Cont'd)**

**(b) Lab Reagent Agreement**

A Utilization agreement, signed October 2008 exists between Roche Diagnostics and Campbellford Memorial Hospital whereby lab equipment is supplied at no charge with the signing of the reagent contract at a cost of \$32,409.50 per year. At the end of the agreement, the Hospital may buy out the equipment for the residual value, renegotiate the agreement or return the equipment. The agreement will be extended until December 31, 2015.

**(c) Copier Lease**

On September 1, 2008, the Hospital signed a 5 year copier lease agreement requiring ten semi-annual payments of \$13,879. This contract has been renegotiated to May 2018 requiring semi-annual payments of \$5,460. As well an additional copier lease started in January 2012 until January 2017 for \$214 per month.

**(d) Software License Agreement**

Campbellford Memorial Hospital has partnered with Northumberland Hills Hospital to cover hardware, operational costs and on-going systems support of the PACS software for the Hospital at a cost of \$98,958 for 2015.

Campbellford Memorial Hospital has partnered with Hospital Diagnostic Imaging Reporting System for PACS storage at a cost of \$8,635 per annum.

The Hospital has a system support agreement with Peterborough Regional Health Centre to host the support of the software licenses at an annual cost of \$83,703

**(e) Medical Equipment Lease**

On October 1, 2010, the Hospital signed a 5 year medical equipment lease agreement requiring quarterly payments of \$1,160.

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**17. COMMITMENTS (Cont'd)**

**(f) Equipment Service Agreements**

Campbellford Memorial Hospital has signed the following equipment service and support agreements:

- 1) Steris Canada Inc. - \$24,566 per annum.
- 2) Cardinal Health - \$6,912 per annum to Jan 2015.
- 3) Sysmex Service. - \$11,997 per annum to Aug 2017, commencing Aug 2013.
- 4) Canadian Medical Equipment Protection Plan - \$84,757 per annum to March 2015.
- 5) Cardinal Health - \$5,428 per annum to May 2014.
- 6) Bracco Diagnostics Canada Inc. - \$3,300 to \$3,700 per annum to January 2016.
- 7) Philips Healthcare - \$159,960 per annum to February 2016.
- 8) Philips Healthcare - \$8,332 per annum to June 2015.
- 9) Siemens Service agreement \$2,789 per annum to Feb 2015.
- 10) MediSolutions - \$27,805 per annum to March 2015.
- 11) Novari Health - \$9,408 per annum to March 2015.
- 12) Enviro EH&S Consulting - \$3,020 per annum to March 2015.

**(g) Regional Initiatives**

As part of a collaborative effort with other regional health care partners, the hospital has committed to some regional initiatives that require investment in information technology and expects to enter into additional similar agreements in the near future. The future costs of these initiatives are indeterminable at this time.

**18. CONTINGENCY**

Campbellford Memorial Hospital uses Industrial Alliance to administer the Extended Health Care, stop loss coverage, travel and dental benefits for the Hospital. Industrial Alliance provides administrative services only; therefore, the Hospital assumes the actual risk. As at March 31, 2014, the Hospital's portion of the plan was in a surplus position of approximately \$174,423, which is included in prepaid expenses and deposits.

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of the Hospital's cash, accounts receivable, accounts payable and accrued liabilities and mortgages payable approximate their carrying amounts due to the immediate and short-term nature of these financial instruments. It is not practicable to determine the fair value of the amounts due to related parties due to the non-arm's length nature of the relationship and that there are no repayment terms.

The fair value of the long-term debt approximates its carrying value as the interest rate does not differ significantly from the current market rates are variable to the Hospital for similar debt.

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**19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)**

The Hospital has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, interest rate risk and liquidity risk.

**Credit Risk**

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

Accounts receivable are short-term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

There have been no significant changes from the previous period in the exposure to risk or policies used to measure risk.

**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.

At March 31, 2014 all of the Hospital's long-term debt was at fixed interest rates, with the exception of advances under the bank credit facility.

The organization is also exposed to interest rate risk through its credit facilities discussed in Note 7 to these financial statements. As at year-end, the interest rate risk from these credit facilities is not significant, as these credit facilities have not been utilized.

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

**Liquidity Risk**

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

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

**20. CAPITAL MANAGEMENT**

The Hospital considers its net assets, long-term debt and deferred capital contributions as its capital.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
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**20. CAPITAL MANAGEMENT (Cont'd)**

**Net assets**

As a government not-for-profit organization, the Hospital operations are reliant on revenues generated annually. The Hospital has an accumulated net assets deficiency over its history to March 31, 2014 of (\$1,490,312)) (2013 - (\$1,717,228)) which are presented in the statement of financial position as net assets. The majority of this amount is invested in tangible capital assets.

**Long-Term debt**

The Hospital's capital management program also utilizes debt financing. At March 31, 2014, the Hospital was in compliance with all covenants applicable to its debt instruments.

**Deferred capital contributions**

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related tangible capital assets. At March 31, 2014, the Hospital was in compliance with all restrictions applicable to these funding sources.

The Hospital's objectives with respect to capital management are to maintain a sufficient level of capital to be able to fulfill its overall purpose, as outlined on page 6; and, to meet the requirements outlined in the Hospital Service Accountability Agreement with the Local Health Integration Network. Over the last few years, the hospital's operating revenues have not kept pace with the costs of operating the hospital, likewise capital grants and donations have not kept pace with necessary capital expenditures. These deficiencies have resulted in a significant erosion of capital. In addition, the hospital, through the Campbellford Memorial Hospital Foundation is involved in a new major fund-raising program for specific equipment. It is embarking on the 2014/15 fiscal year with minimal capital resources, a substantial, although somewhat improved working capital deficiency, and increased long-term debt load. The Hospital's Board and management will continue to work collaboratively with the Local Health Integration Network and other health care partners to find long-term solutions to these capital management challenges.