

**CAMPBELLFORD MEMORIAL HOSPITAL  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2012**

**WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS**

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**CAMPBELLFORD MEMORIAL HOSPITAL  
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AS AT MARCH 31, 2012**

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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 statement of financial position as at March 31, 2012 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 generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 these 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 is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Campbellford Memorial Hospital as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Wilkinson & Company LLP*

TRENTON, Canada  
May 28, 2012

Chartered Accountants  
Licensed Public Accountants

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**CAMPBELLFORD MEMORIAL HOSPITAL**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2012**

	2012	2011
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	975	675
Accounts receivable - Note 2	612,743	933,290
Inventories - Note 3	200,024	218,917
Prepaid expenses and deposits - Note 18	298,174	285,133
	<u>1,111,916</u>	<u>1,438,015</u>
<b>LONG-TERM</b>		
Due from Campbellford Memorial Hospital Foundation - Note 4	524,071	619,548
<b>CAPITAL ASSETS - Note 5</b>	<u>8,055,226</u>	<u>8,565,909</u>
	<u>9,691,213</u>	<u>10,623,472</u>
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank indebtedness - Note 6	294,133	672,175
Accounts payable and accrued liabilities - Note 7	2,412,204	2,291,176
Current portion of long-term debt - Note 8	269,342	260,234
Current portion of capital lease - Note 9	23,753	-
Current portion of future employee benefits - Note 12	100,000	100,000
	<u>3,099,432</u>	<u>3,323,585</u>
<b>LONG-TERM DEBT - Note 8</b>	<u>1,277,942</u>	<u>1,573,926</u>
<b>CAPITAL LEASE - Note 9</b>	<u>37,609</u>	<u>-</u>
<b>DEFERRED CONTRIBUTIONS - Note 10</b>	<u>5,318,964</u>	<u>5,898,875</u>
<b>FUTURE EMPLOYEE BENEFITS - Note 12</b>	<u>1,155,500</u>	<u>1,064,600</u>
	<u>10,889,447</u>	<u>11,860,986</u>
<b>NET ASSETS</b>		
Invested in capital assets - Note 11	1,127,616	832,874
Unrestricted	<u>(2,325,850)</u>	<u>(2,070,388)</u>
	<u>(1,198,234)</u>	<u>(1,237,514)</u>
	<u>9,691,213</u>	<u>10,623,472</u>

**COMMITMENTS - Note 17**

**CONTINGENCY - Note 18**

**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

WILKINSON 

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)  
FOR THE YEAR ENDED MARCH 31, 2012**

	Invested in Capital Assets \$	Unrestricted \$	2012 \$	2011 \$
Net assets (deficiency) - Beginning of year	832,874	(2,070,388)	(1,237,514)	(946,418)
Excess (deficiency) of revenues over expenses - Note 11	(292,310)	170,371	(121,939)	(291,096)
Land transfer from Campbellford Memorial Hospital Foundation - Note 16	161,219	-	161,219	-
Net investment in capital assets for the year - Note 11	425,833	(425,833)	-	-
Net assets (deficiency) - End of year	1,127,616	(2,325,850)	(1,198,234)	(1,237,514)

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2012**

	2012 \$	2011 \$
<b>REVENUES</b>		
Ministry of Health and Long-Term Care and Local Health Integration Network		
Global funding	12,705,400	12,471,700
Physician transfer funding	2,283,605	2,195,294
Diabetes education program	144,556	145,705
One-time operating funding - Note 14	617,968	181,227
	15,751,529	14,993,926
Patient revenue	1,200,638	1,242,383
Differential and co-payment revenue	235,602	255,818
Other revenue	728,762	650,302
Amortization of deferred capital contributions - Note 10	467,738	478,037
	18,384,269	17,620,466
<b>DIRECT EXPENSES</b>		
Salaries and wages	8,470,568	8,342,628
Employee benefits	2,049,868	2,050,528
Employee future benefits - Note 12	90,900	26,200
Medical staff remuneration	767,999	765,821
Medical and surgical supplies	479,281	434,103
Drugs and medicines	270,302	256,100
Supplies and other expenses	3,081,286	2,772,325
Rental / lease of equipment	137,452	133,926
Interest expense	77,389	79,924
Bad debt	38,086	258
Equipment and software amortization - Note 5	494,601	582,979
Ministry of Health and Long-Term Care Physician transfer payments	2,283,584	2,195,387
<b>TOTAL DIRECT EXPENSES</b>	18,241,316	17,640,179
<b>REVENUE OVER (UNDER) DIRECT EXPENSES</b>	142,953	(19,713)
<b>SEPARATELY FUNDED PROGRAMS - Note 15</b>	-	(7,468)
<b>OTHER</b>		
Amortization of building and service equipment capital contributions - Note 10	220,777	206,682
Amortization of building and service equipment - Note 5	(485,669)	(470,597)
	(264,892)	(263,915)
<b>NET REVENUE (UNDER) EXPENSES</b>	(121,939)	(291,096)

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2012**

	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>		
Cash used in operations -		
Net revenue (under) expenses	(121,939)	(291,096)
Items not involving cash -		
Amortization of capital assets	980,825	1,052,763
Amortization of capital grants and donations	(688,515)	(684,719)
Increase in future employee benefits obligation	90,900	26,200
Loss on disposal	-	7,835
Net change in non-cash working capital -		
Decrease in accounts receivable	320,547	977,228
(Increase) decrease in inventories	18,893	(17,598)
Decrease in prepaid expenses and deposits	(13,041)	(47,517)
Increase in accounts payable and accrued liabilities	121,028	180,593
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>708,698</b>	<b>1,203,689</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of capital assets	(308,923)	(417,284)
Increase (decrease) in bank indebtedness	(378,042)	3,477
Long-term debt obligation repayments	(286,876)	(1,301,070)
Long-term debt obligation advanced	-	688,387
Deferred contributions received	108,604	442,349
Increase (decrease) in long-term receivable	95,477	(619,548)
Capital lease obligation advanced	71,260	-
Capital lease obligation repayments	(9,898)	-
<b>CASH FLOWS USED IN INVESTING AND FINANCING ACTIVITIES</b>	<b>(708,398)</b>	<b>(1,203,689)</b>
<b>NET INCREASE IN CASH FOR YEAR</b>	<b>300</b>	<b>-</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>675</b>	<b>675</b>
<b>CASH - END OF YEAR</b>	<b>975</b>	<b>675</b>

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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 establish 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 generally accepted accounting principles. Significant accounting policies adopted by the Hospital are summarized as follows:

### **(a) Revenue Recognition**

The deferral method of accounting for contributions is followed:

Unrestricted contributions are recognized as revenue if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Patient and other revenues are recognized as services are provided.

### **(i) Capital Assets**

Deferred capital contributions related to capital assets represent both the unamortized amount of grants already spent, and the unspent amount of donations and grants received for the future purchase of capital assets.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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

**(a) Revenue Recognition - (Cont'd)**

**Deferred Contributions**

**(ii) Expenses of future periods:**

Deferred contributions related to expenses of future periods represent unspent restricted grants and donations for research and other purposes.

**(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.

**(c) Inventories**

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

**(d) 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.

**(e) Capital Assets**

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. Gains and losses on the disposal of capital assets are credited or charged to operations in the year of disposal.

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 licences and fees	5 years
Equipment under capital lease	5 years

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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

**(f) 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 capital assets. Renovation costs to adapt the Hospital building to changed operating conditions or to maintain normal operating efficiency are expensed as incurred.

**(g) Impairment on Long-Lived Assets**

Long-lived assets, including assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cashflows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cashflow, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

**(h) Accrued Vacation Pay**

The Hospital accrues vacation pay for all employees as entitlement to these payments 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 are recorded as 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.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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

**(j) Future Employee Benefits**

The Hospital accrues its obligations under employee benefit plans. The cost of non-pension post-retirement and post employment benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

Actuarial gains and losses in a year are combined with the unamortized balance of gains or losses from prior years. The Hospital has adopted an accounting policy that amortizes the portion of the total that exceeds 10% of the accrued benefit obligation into future years' expenses over the average remaining service period of active employees.

Prior service costs, if any, arising from a plan amendment are amortized over future years of service to full eligibility of active employees.

**(k) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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, inventories, prepaid expenses and deposits, the estimated useful life of capital assets, accounts payable and accrued liabilities, deferred contributions and future employee benefits. Actual results could differ from those estimates.

**(l) Financial Instruments**

The Hospital has chosen to apply Section 3861, Financial Instruments - Disclosure and Presentation in place of CICA 3862, Financial Instruments - Disclosures and CICA 3863 - Financial Instruments - Presentation.

*Financial Assets and Financial Liabilities*

Under the standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Hospital's designation of such instruments. The standards require that all financial assets and liabilities be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity ("HTM"), loans and receivables or other liabilities. The standards require that all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS financial assets that do not have quoted market prices in an active market.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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

**(I) Financial Instruments - (Cont'd)**

*Classification of Financial Instruments*

The Hospital has classified its financial instruments as follows:

- Cash and Investments have been designated as held-for-trading ("HFT") on the basis that this most accurately reflects the nature of these items. HFT financial assets and liabilities are typically acquired for resale or settlement prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the statement of operations.
- Accounts receivable have been designated as loans and receivables are measured at amortized cost.
- Accounts payable and accrued liabilities, and current and long-term debt have been designated as other liabilities. After their initial fair value measurement, they are measured at amortized cost.

*Transaction Costs*

Transaction costs related to HFT financial assets are expensed to investment income as incurred.

*Determination of Fair Value*

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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

**(m) Future Changes in Accounting Policies**

In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("AcSB") and the Public Sector Accounting Board ("PSAB") released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. These standards are effective for years beginning on or after January 1, 2012. Organizations have an option to early adopt these new standards.

The PSAB is responsible for the accounting standards used by not-for-profit organizations. Under the new accounting standards issued by the PSAB, not-for-profit organizations will apply public sector accounting standards contained in the Public Sector Accounting (PSA) Handbook.

The Hospital is currently in the process of determining the impact of these changes, which will be implemented for the fiscal 2013 year-end.

**2. ACCOUNTS RECEIVABLE**

	2012 \$	2011 \$
Ministry of Health - Hospital	-	248,352
Campbellford Memorial Hospital Foundation - Note 16 (a)	33,788	32,647
Campbellford Memorial Multicare Lodge - Note 16 (b)	78,885	85,711
Campbellford Memorial Health Centre - Note 16 (c)	1,167	1,215
Campbellford Memorial Hospital Foundation - donations re capital - Notes 4 and 16 (a)	68,839	82,714
Other	430,064	482,651
	<b>612,743</b>	<b>933,290</b>

**3. INVENTORIES**

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

	2012 \$	2011 \$
Food and dietary supplies	8,199	7,353
Drugs and medicines	75,938	90,408
Laboratory supplies	48,654	48,560
Medicine and other supplies	67,233	72,596
	<b>200,024</b>	<b>218,917</b>

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**4. LONG-TERM**

	2012 \$	2011 \$
Due from Campbellford Memorial Hospital Foundation:	592,910	688,387
Less: Current portion included in current accounts receivable	68,839	68,839
	<b>524,071</b>	<b>619,548</b>

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 \$68,839.

**5. CAPITAL ASSETS**

	2012 \$	2011 \$
Land	298,985	137,766
Land improvements and heliport	251,286	251,286
Buildings	9,516,681	9,441,773
Building service - equipment	3,705,577	3,636,298
Major equipment - shareable	10,296,238	10,231,007
- non-shareable	16,009	16,009
Software licences	919,585	919,585
Leasehold improvements	146,935	146,935
Construction in progress	25,279	-
Total Cost	25,176,575	24,780,659
Less: Accumulated amortization	17,195,575	16,214,750
	<b>7,981,000</b>	<b>8,565,909</b>
Equipment under capital lease	74,226	-
Less: Accumulated amortization on leased capital assets	-	-
	<b>74,226</b>	<b>-</b>
Total cost less accumulated amortization	<b>8,055,226</b>	<b>8,565,909</b>

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**5. CAPITAL ASSETS - (Cont'd)**

Allocation of amortization:

	2012 \$	2011 \$
Equipment and software amortization	494,601	582,979
Amortization of building and service equipment	485,669	470,597

**6. BANK INDEBTEDNESS**

	2012 \$	2011 \$
Bank overdraft	294,133	482,175
Operating line of credit	-	190,000
	<u>294,133</u>	<u>672,175</u>

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, 2012 (\$1.2 million at March 31, 2011) 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 \$17,402 (2011 - \$21,755) and is included in interest expense.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**7. MINISTRY OF HEALTH PAYABLE**

	2012 \$	2011 \$
Ministry of Health and Long-term Care		
- Diabetes program	5,856	-
- Common Assessment Program for Community Mental Health	22,600	-
- Ontario Telemedicine Network	28,923	-
- Data Quality Cleanup	19,411	-
- Community Mental Health	86,959	48,871
- Ontario Case Costing Initiative	47,742	47,742
- Hospital On Call	41	41
- New Graduates Funding	27,468	7,233
- Seniors Friendly Capital Funding	6,500	6,500
- Cancer Care Ontario	-	9,600
- Daily Access Reporting Tool	2,000	2,000
- Nursing Enhancement Funding	8,921	-
- Wait Time Strategy Funding	14,400	8,267
	<b>270,821</b>	<b>130,254</b>

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

**8. LONG-TERM DEBT**

	2012 \$	2011 \$
Bank demand loan, unsecured, repayable in blended monthly instalments of \$2,069 including interest at a rate of 3% to October 2022	220,487	237,932
Bank demand loan, unsecured, repayable in blended monthly instalments of \$2,003 including interest at a rate of 4.77% to February 2013	204,321	218,253
Bank demand loan, unsecured, repayable in blended monthly instalments of \$10,543 including interest at a rate of 4.90% to July 2013	162,923	278,369



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**8. LONG-TERM DEBT - (Cont'd)**

	2012 \$	2011 \$
Bank demand loan, unsecured, repayable in blended monthly instalments of \$2,647 including interest at a rate of 4.20% to January 2016	188,388	211,707
Bank demand loan, unsecured, repayable in blended monthly instalments of \$2,581 including interest at a rate of 5.12% to January 2019	178,255	199,512
Bankers acceptance, secured by CT scanner, repayable in blended annual instalments of \$68,839 including interest at 1.53786%	592,910	688,387
	1,547,284	1,834,160
Less current portion included in current liabilities	269,342	260,234
	1,277,942	1,573,926

Interest expense incurred on these loans during the year was \$57,858 (\$58,169 in 2011) and is included in interest expense.

Canadian generally accepted accounting principles require that loans for which the lender can demand repayment be classified as current liabilities. Based on discussion with Royal Bank of Canada, management does not believe that the demand features of the callable debt will be exercised in the next fiscal year. Assuming payment of the callable debt is not demanded, regular principal payments required on the demand term loans are due as follows:

	\$
2013	269,342
2014	193,273
2015	155,213
2016	159,009
2017	162,975
Thereafter	607,472

Security for the bankers acceptance of \$592,910 and the \$162,923 loan for equipment includes a guarantee and postponement of claim totalling \$755,833 signed by Campbellford Memorial Hospital Foundation.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**9. OBLIGATIONS UNDER CAPITAL LEASE**

Campbellford Memorial Hospital has entered into the following capital lease obligations for equipment:

	2012 \$
Year ended March 31:	
2013	23,753
2014	23,753
2015	13,856
Total minimum lease payments	61,362
Less amounts representing interest	-
Present value of net minimum lease payments	61,362
Current portion of obligation under capital lease	23,753
Long-term portion of obligations under capital lease	37,609

**10. DEFERRED CONTRIBUTIONS**

	2012		2011	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization Restated
	\$	\$	\$	\$
<b>Donations for Capital Purposes</b>				
Balance - beginning of year	5,848,026	2,611,156	5,808,892	2,166,251
Received/receivable during year:				
Campbellford Memorial				
Hospital Foundation	43,846	-	17,500	-
Campbellford Memorial				
Hospital Auxiliary	-	-	16,000	-
Other	175	-	5,634	-
Amortization for year - Note 1(a)	-	448,019	-	444,905
Balance - End of year	5,892,047	3,059,175	5,848,026	2,611,156

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**10. DEFERRED CONTRIBUTIONS - (Cont'd)**

	2012		2011	
	Principal Amount \$	Accumulated Amortization \$	Principal Amount \$	Accumulated Amortization \$
<b>Grants for Capital Purposes</b>				
Balance - beginning of year	6,354,884	3,692,879	5,951,669	3,453,065
Received/receivable during year	64,583	-	403,215	-
Amortization for year - Note 1(a)	-	240,496	-	239,814
Balance - End of year	6,419,467	3,933,375	6,354,884	3,692,879
Combined Grants and Donations	12,311,514	6,992,550	12,202,910	6,304,035
Unamortized Balance	\$ 5,318,964		\$ 5,898,875	

Allocation of amortization:

	2012 \$	2011 \$
Equipment Donation and Grant Amortization	467,738	478,037
Building and Service Equipment Donation and Grant Amortization	220,777	206,682

**11. INVESTMENT IN CAPITAL ASSETS**

	2012 \$	2011 \$
<b>(a) INVESTMENT IN CAPITAL ASSETS</b>		
Capital assets	8,055,226	8,565,909
Amount funded by:		
Deferred contributions used for capital asset acquisition	(5,318,964)	(5,898,875)
Long-term debt	(1,547,284)	(1,834,160)
Capital lease	(61,362)	-
	1,127,616	832,874

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**11. INVESTMENT IN CAPITAL ASSETS**

	2012 \$	2011 \$
<b>(b) CHANGES IN NET ASSETS INVESTED IN CAPITAL ASSETS EXCESS OF REVENUE OVER (UNDER) EXPENSES</b>		
Gain (loss) on disposal of capital assets	-	(7,835)
Amortization of deferred contributions related to capital assets	688,515	684,719
Amortization of capital assets	(980,825)	(1,052,763)
Proceeds on disposal of capital assets	-	-
	<u>(292,310)</u>	<u>(375,879)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR</b>		
Purchase of capital assets (net)	308,923	417,284
Decrease (increase) in long-term debt	286,876	612,683
Decrease (increase) in capital lease	(61,362)	-
Amounts funded by deferred contributions	(108,604)	(442,349)
	<u>425,833</u>	<u>587,618</u>
<b>CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS</b>		
	<u>133,523</u>	<u>211,739</u>

**12. FUTURE EMPLOYEE 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, 2012. The accrued benefit liability is comprised of:

	2012 \$	2011 \$
Balance, beginning of year	1,164,600	1,138,400
Employee future benefits expense	227,200	114,100
Contributions by the Hospital	(136,300)	(87,900)
Accrued benefit liability - End of the year	1,255,500	1,164,600
Less current portion	100,000	100,000
Long-term accrued benefit liability - End of the year	<u>1,155,500</u>	<u>1,064,600</u>

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**12. FUTURE EMPLOYEE BENEFITS - (Cont'd)**

	2012 \$	2011 \$
Reconciliation of accrued benefit obligation:		
Accrued benefit obligation	2,223,300	1,879,100
Experience losses (gains)	(865,700)	(714,500)
Prior service costs	(102,100)	-
Accrued benefit liability - End of the year	1,255,500	1,164,600
Less current portion	100,000	100,000
Long-term accrued benefit liability - End of the year	1,155,500	1,064,600

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

	2012 \$	2011 \$
Current service cost	69,300	50,100
Interest cost	99,700	60,200
Actuarial adjustment for current experience and gains and losses	46,800	-
NOA settlement at April 1, 2011	113,500	-
Amortization of prior service costs	(102,100)	3,800
	227,200	114,100
Less actual payments	136,300	87,900
	90,900	26,200

Discount rate for expense	5%
Discount rate for disclosure	4%
Dental benefits cost escalation	4%
Medical benefits cost escalation - extended health care	7.5%, decreasing 0.5% per year to an ultimate rate of 5.0%
General inflation	3.0%

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**13. PENSION PLAN**

Substantially all of the employees of the Hospital are members of the Hospitals 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 \$679,426 (2011 - \$663,703) and are included in the statement of operations.

As of December 31, 2011, the HOOPP is in a surplus position with the ratio of actuarial value of net assets to accrued liabilities of 103%.

**14. MINISTRY OF HEALTH AND LONG-TERM CARE - ONE-TIME FUNDING**

	2012 \$	2011 \$
Nursing - new graduates	54,937	43,274
Mental Health Program Renovations	-	55,000
Cancer Care Ontario - surgery funds	32,373	16,000
Wait time strategy - surgery funds	62,556	55,853
ECFA implementation	44,500	11,100
Nursing enhancement fund	29,219	-
Late career funding	1,973	-
Ontario Telemedicine Network	10,710	-
Discharge coordination	14,453	-
Restorative care	144,657	-
Chronic care funding	2,000	-
Data quality cleanup	590	-
CT Wait time funding	20,000	-
ALC funding	200,000	-
	<b>617,968</b>	<b>181,227</b>

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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.

	2012 \$	2011 \$
<b>Funding</b>		
Community Mental Health Program	746,485	710,585
Municipal Taxes	5,625	5,625
	<u>752,110</u>	<u>716,210</u>
<b>Expenses</b>		
Community Mental Health Program	746,485	718,053
Municipal Taxes	5,625	5,625
	<u>752,110</u>	<u>723,678</u>
Deficit absorbed by the Hospital	-	(7,468)

**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 property with a book value of \$161,219 to the Hospital. The Foundation also transferred \$43,846 for the purchase of equipment, \$5,000 towards a communication project and \$13,652 for 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 \$33,788 (2011 - \$32,647).

The Hospital has a receivable from the Foundation for capital expenditures of \$68,839 current plus \$524,071 as described in Note 4. (2011 - \$688,387).

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**16. RELATED ENTITIES - (Cont'd)**

**(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 \$77,795 and rental income of \$77,795 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 \$77,470 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 \$78,885.

**(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 \$14,000 to the Health Centre, for which it is reimbursed. At the year-end, there was a receivable from the Health Centre of \$1,167.

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.

This agreement expired on March 31, 2012 and negotiations are ongoing for the renewal. Services are continuing while negotiations take place.



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NOTES TO FINANCIAL STATEMENTS  
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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 \$37,875 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 has been extended until March 31, 2013 with a 2% increase.

**(c) Copier Lease**

On September 1, 2008, the Hospital signed a 5 year copier lease agreement requiring ten semi-annual payments of \$13,879.

**(d) Software Licence Agreement**

Campbellford Memorial Hospital previously signed a system support agreement 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 \$153,528 per annum.

Campbellford Memorial Hospital has partnered with Hospital Diagnostic Imaging Reporting System for PACS storage at a cost of \$18,152 per annum.

The Hospital has a system support agreement with Peterborough Regional Health Centre to host the support of the software licences at an annual cost of \$76,466.

**(e) Computer Equipment Lease**

On July 2, 2010, the Hospital signed a 3 year computer equipment lease agreement requiring quarterly payments of \$7,559.

**(f) 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  
NOTES TO FINANCIAL STATEMENTS  
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**17. COMMITMENTS - (Cont'd)**

**(g) Equipment Service Agreements**

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

- 1) Steris Canada Inc. - \$25,384 per annum to February 2013.
- 2) Cardinal Health - \$4,812 per annum to May 2012.
- 3) Beckman Coulter Canada Inc. - \$9,920 per annum to April 2012.
- 4) Canadian Medical Equipment Protection Plan - \$104,521 per annum to March 2013.
- 5) Cardinal Health - \$5,328 per annum to May 2014.
- 6) Bracco Diagnostics Canada Inc. - \$3,300 to \$3,700 per annum to January 2016.
- 7) Philips Healthcare - \$169,000 to per annum to February 2016.

**(h) 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, 2012, the Hospital's portion of the plan was in a surplus position of approximately \$125,000, which is included in prepaid expenses and deposits.

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of the Hospital's cash, short-term investments, 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, 2012 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 6 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.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
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**20. CAPITAL MANAGEMENT**

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

**Net assets**

As a not-for-profit organization, the Hospital operations are reliant on revenues generated annually. The Hospital has accumulated net assets over its history to March 31, 2012 of (\$1,198,234) (2011- (\$1,237,514)) which are presented in the statement of financial position as net assets. The majority of this amount is invested in capital assets.

**Long-Term debt**

The Hospital's capital management program also utilizes debt financing. At March 31, 2012, 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 capital assets. At March 31, 2012, 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 fulfil its overall purpose, as outlined on page 7; 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 2013 fiscal year with minimal capital resources, a substantial working capital deficiency, and reduced 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.