

**CAMPBELLFORD MEMORIAL HOSPITAL  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2019**



**CAMPBELLFORD MEMORIAL HOSPITAL  
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AS AT MARCH 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Campbellford Memorial Hospital

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Campbellford Memorial Hospital (the Hospital), which comprise the statement of financial position as at March 31, 2019 and the statements of changes in net assets (deficiency), operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Wilkinson & Company LLP*

TRENTON, Canada  
May 29, 2019

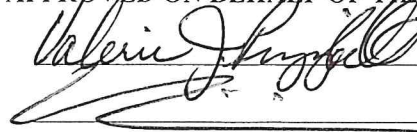
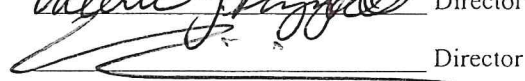
Chartered Professional Accountants  
Licensed Public Accountants



**CAMPBELLFORD MEMORIAL HOSPITAL**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019**

	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	4,082,177	608,235
Accounts receivable - Note 2	1,546,692	1,439,869
Inventories - Note 3	211,459	212,605
Prepaid expenses and deposits	380,250	261,323
	<u>6,220,578</u>	<u>2,522,032</u>
<b>LONG-TERM</b>		
Long-term receivable - Note 4	-	112,000
<b>TANGIBLE CAPITAL ASSETS - Note 5</b>	<u>8,634,804</u>	<u>7,109,734</u>
	<u>14,855,382</u>	<u>9,743,766</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities - Note 6	4,815,573	4,628,233
Government remittance payable	207,608	193,294
Current portion of long-term debt - Note 8	112,000	287,890
Deferred operating funding - Note 7	1,107,000	-
	<u>6,242,181</u>	<u>5,109,417</u>
<b>DEFERRED OPERATING FUNDING - Note 7</b>	980,000	-
<b>LONG-TERM DEBT - Note 8</b>	-	840,799
<b>DEFERRED CAPITAL CONTRIBUTIONS - Note 9</b>	6,824,336	5,058,613
<b>FUTURE EMPLOYEE BENEFITS - Note 11</b>	1,208,900	1,262,300
	<u>15,255,417</u>	<u>12,271,129</u>
<b>NET DEFICIT</b>		
Invested in capital assets - Note 10	1,698,468	922,432
Unrestricted	(2,098,503)	(3,449,795)
	<u>(400,035)</u>	<u>(2,527,363)</u>
	<u>14,855,382</u>	<u>9,743,766</u>
<b>COMMITMENTS - Note 17</b>		
<b>CONTINGENCY - Note 18</b>		

APPROVED ON BEHALF OF THE BOARD

 Director  
 Director

The accompanying notes form an integral part of these financial statements





**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)  
FOR THE YEAR ENDED MARCH 31, 2019**

	Invested in Tangible Capital Assets \$	Unrestricted \$	2019 \$	2018 \$
Net assets (deficiency) - Beginning of year	922,432	(3,449,795)	(2,527,363)	(2,689,834)
Excess of revenue over expenses (expenses over revenue) - Note 10	(316,019)	2,443,347	2,127,328	162,471
Net investment in tangible capital assets for the year - Note 10	1,092,055	(1,092,055)	-	-
Net assets (deficiency) - End of year	1,698,468	(2,098,503)	(400,035)	(2,527,363)

The accompanying notes form an integral part of these financial statements





**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2019**

	2019	2018
	\$	\$
<b>REVENUES</b>		
Ministry of Health and Long-Term Care and Local Health Integration Network		
Global funding	14,565,270	14,149,230
Physician transfer funding	1,999,392	2,057,689
Indirect funding	17,250	47,830
One-time operating funding - Note 13	3,535,554	1,698,590
	<u>20,117,466</u>	<u>17,953,339</u>
Patient revenue	1,699,555	1,803,240
Other revenue	909,823	1,255,378
Amortization of deferred capital contributions - Note 9	690,696	609,854
	<u>23,417,540</u>	<u>21,621,811</u>
<b>DIRECT EXPENSES</b>		
Salaries and wages	12,879,125	12,773,525
Post employee benefits (recovery)	(53,400)	(62,100)
Physician transfer payments and medical staff	2,994,630	3,114,973
Supplies	1,483,847	1,506,360
Medical and surgical supplies	609,657	631,247
Drugs and Medical Gases	294,299	279,730
Sundry	1,274,004	1,504,711
Equipment expenses	838,672	832,376
Amortization of tangible capital assets - equipment - Note 5	688,715	617,198
	<u>21,009,549</u>	<u>21,198,020</u>
<b>EXCESS OF REVENUE OVER DIRECT EXPENSES</b>	<u>2,407,991</u>	<u>423,791</u>
<b>SEPARATELY FUNDED PROGRAMS - Note 14</b>	<u>-</u>	<u>-</u>
<b>OTHER</b>		
Amortization of building and service equipment capital contributions - Note 9	344,116	318,418
Amortization of building and service equipment - Note 5	(624,779)	(579,738)
	<u>(280,663)</u>	<u>(261,320)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>2,127,328</u>	<u>162,471</u>

The accompanying notes form an integral part of these financial statements



**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2019**

	2019 \$	2018 \$
<b>OPERATING ACTIVITIES</b>		
Cash used in operations -		
Excess of revenue over expenses (expenses over revenue)	2,127,328	162,471
Items not involving cash -		
Amortization of tangible capital assets	1,313,494	1,196,936
Amortization of deferred capital contributions	(1,034,812)	(928,272)
Increase in future employee benefits obligation	(53,400)	(62,100)
Loss on disposal of tangible capital assets	12,337	3,683
Net change in non-cash working capital -		
Decrease (increase) in accounts receivable	(106,823)	(471,546)
Decrease (increase) in inventories	1,146	1,340
Decrease (increase) in prepaid expenses and deposits	(118,927)	35,492
Increase in accounts payable and accrued liabilities	187,340	1,120,398
Increase (decrease) in government remittances payable	14,314	183,436
Increase in deferred operating funding	2,087,000	-
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>4,428,997</b>	<b>1,241,838</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	-	(302,990)
Long-term debt obligation repayments	(1,016,689)	(172,346)
Decrease in long-term receivable	112,000	70,000
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(904,689)</b>	<b>(405,336)</b>
<b>CAPITAL ACTIVITIES</b>		
Contributions received for tangible capital purchases	2,800,535	1,382,605
Proceeds on disposal of tangible capital assets	25,000	-
Purchase of tangible capital assets	(2,875,901)	(1,613,447)
<b>CASH FLOWS USED IN CAPITAL ACTIVITIES</b>	<b>(50,366)</b>	<b>(230,842)</b>
<b>NET INCREASE IN CASH FOR YEAR</b>	<b>3,473,942</b>	<b>605,660</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>608,235</b>	<b>2,575</b>
<b>CASH - END OF YEAR</b>	<b>4,082,177</b>	<b>608,235</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, 2019**

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 Central 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 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.





**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

**(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) 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 of the major categories of inventories is determined on a 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 licences and fees	5 years





**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

**(g) Renovations**

The costs of renovations to the Hospital building, which significantly increases 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.

**(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 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.

**(j) Future Employee 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.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

**(k) Management Estimates**

The preparation of financial statements in conformity with PSAB for Government NPO's 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-employee benefits and liabilities. Actual results could differ from those estimates.

**(l) Financial Instruments**

**(i) Measurement of Financial Instruments**

The Hospital initially measures its financial assets and liabilities at fair value adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Hospital subsequently measures all if financial assets and financial liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in income.

There are no financial assets measured at fair value.

Financial assets measured at amortized cost include cash and accounts receivable.

There are no financial liabilities measured at fair value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittance payable, and long-term debt.

**(ii) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**2. ACCOUNTS RECEIVABLE**

	2019	2018
	\$	\$
Campbellford Memorial Hospital Foundation - Note 16 (a)	547,421	183,449
Campbellford Memorial Multicare Lodge - Note 16 (b)	137,580	153,210
Campbellford Memorial Health Centre - Note 16 (c)	-	(2,335)
Campbellford Memorial Hospital Foundation - donations re capital - Notes 4 and 16 (a)	112,000	70,000
Other	749,691	1,847,910
Allowance for doubtful accounts	-	(812,365)
	<b>1,546,692</b>	<b>1,439,869</b>

**3. INVENTORIES**

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

	2019	2018
	\$	\$
Food and dietary supplies	11,179	12,725
Drugs and medicines	71,301	71,798
Laboratory supplies	63,429	63,231
Medicine and other supplies	65,550	64,851
	<b>211,459</b>	<b>212,605</b>

**4. LONG-TERM**

	2019	2018
	\$	\$
Due from Campbellford Memorial Hospital Foundation:	112,000	182,000
Less: Current portion included in current accounts receivable	112,000	70,000
	<b>-</b>	<b>112,000</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. The balance will be repaid in the current year.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**5. TANGIBLE CAPITAL ASSETS**

	2019 \$	2018 \$
Land	298,985	298,985
Land improvements and heliport	551,819	551,819
Buildings	10,063,428	10,063,428
Building service - equipment	7,085,198	5,280,302
Major equipment - shareable	13,827,189	13,082,473
- non-shareable	16,009	16,009
Software licences	919,585	919,585
Leasehold improvements	146,935	146,935
<hr/>		
Total Cost	32,909,148	30,359,536
Less: Accumulated amortization	24,274,344	23,249,802
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Total cost less accumulated amortization	8,634,804	7,109,734
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Allocation of amortization:		
	2019 \$	2018 \$
Equipment and software amortization	688,715	617,198
Amortization of building and service equipment	624,779	579,738





**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**6. MINISTRY OF HEALTH PAYABLE**

	2019	2018
	\$	\$
Ministry of Health and Long-Term Care		
- Diabetes program	-	20
- Common Assessment Program for Community Mental Health	18,374	18,374
- WT Nurse Practitioner	-	20
- Ontario Telemedicine Network	-	15,822
- Nursing Graduate Guarantee Initiative	-	37,523
- Community Mental Health	36,787	117,915
- Cancercare Care Ontario	2,010	11,280
- Small Rural & Northern Hospital Transformation Fund	119,658	145,733
- SFH Assessments	1,134	1,134
- Overhead Lifts	1,061	1,061
- Enhanced Isolation Fundings	5,645	5,645
- Wait Time Strategy Funding	137,430	127,541
- Security Enhancement	1,203	1,203
- Palliative Care Enhancement	2,593	2,593
- Back Office Integration Funding	13,001	13,001
- Geriatric Assessment & Intervention Network	78,841	179,489
- SFH Environmental Initiatives	170,979	170,979
- Hospital Infrastructure Renewal Fund (HIRF)	-	20
- Family Meeting Room	15,433	15,433
- EMPI Project	2,971	2,971
- Supportive Housing	46,055	39,159
- Additional ED P4 Funding	25,000	25,000
- Hospital On-Call Coverage (HOCC)	160,615	91,067
	<b>838,790</b>	<b>1,022,983</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, 2019 include federal and provincial sales tax, payroll taxes, health taxes and workers' safety insurance premiums totaled \$207,608 (2018 - \$193,294).



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**7. DEFERRED OPERATING FUNDING**

During the year the Central East Local Health Integration Network provided \$5,000,000 to the hospital to address financial sustainability risks. Funding of \$2,913,000 was used to repay the long-term debt and provide working capital. The balance of \$2,087,000 has been deferred with \$1,107,000 to be used in 2019/20 and \$980,000 during 2020/21.

**8. LONG-TERM DEBT**

	2019 \$	2018 \$
Fixed rate term loan, repaid during the year	-	103,456
Fixed rate term loan, repaid during the year	-	100,959
Fixed rate term loan, repaid during the year	-	148,640
Fixed rate term loan, repaid during the year	-	593,634
Bankers acceptance, bearing acceptance fee of 0.8% per annum secured as noted below, repayable in blended instalments of \$70,000 to November 2019	112,000	182,000
	112,000	1,128,689
Less current portion included in current liabilities	112,000	287,890
	-	840,799

Interest expense incurred on these loans during the year was \$32,537 (2018 - \$35,426) and is included in interest expense.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

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 with no balance outstanding at March 31, 2019 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 Hospital's banking agreement.

Security for all borrowings include guarantee and postponement of claim in the amount of \$560,000 and \$1,100,000 signed by Campbellford Memorial Hospital Foundation and Board resolution authorizing the financing granted under bankers' acceptance.

Interest expense incurred during the year on the operating line of credit was \$14,636 (2018 - \$14,818) and is included in interest expense.

The Hospital has an available \$200,000 revolving lease line of credit with no balance outstanding at the end of the year.

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 repayments required on the demand term loans are due as follows:

	\$
2020	112,000



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**9. 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:

	2019		2018	
	Principal Amount \$	Accumulated Amortization \$	Principal Amount \$	Accumulated Amortization \$
<b>Donations for Capital Purposes</b>				
Balance - beginning of year	8,148,338	6,248,158	7,709,818	5,660,276
Received/receivable during year:				
Campbellford Memorial				
Hospital Foundation	949,879	-	438,520	-
Amortization for year - Note 1(a)	-	645,123	-	587,882
Balance - End of year	9,098,217	6,893,281	8,148,338	6,248,158
<b>Grants for Capital Purposes</b>				
Balance - beginning of year	8,824,414	5,665,981	7,880,329	5,325,591
Received/receivable during year	1,850,656	-	944,085	-
Amortization for year - Note 1(a)	-	389,689	-	340,390
Balance - End of year	10,675,070	6,055,670	8,824,414	5,665,981
Combined Grants and Donations	19,773,287	12,948,951	16,972,752	11,914,139
Unamortized Balance	\$ 6,824,336		\$ 5,058,613	

Allocation of amortization:

	2019 \$	2018 \$
Equipment Donation and Grant Amortization	690,696	609,854
Building and Service Equipment Donation and Grant Amortization	344,116	318,418





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**10. INVESTMENT IN TANGIBLE CAPITAL ASSETS**

(a) Investment in tangible capital assets represent the following:

	2019 \$	2018 \$
Tangible capital assets	8,634,804	7,109,734
Less amounts funded by:		
Deferred contributions used for tangible capital asset acquisition - Note 9	6,824,336	5,058,613
Long-term debt	112,000	1,128,689
	<u>1,698,468</u>	<u>922,432</u>

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

	2019 \$	2018 \$
Deficiency of revenues over expenditures:		
Amortization of deferred contributions related to capital assets	1,034,812	928,272
Amortization of tangible capital assets	(1,313,494)	(1,196,936)
Proceeds on disposal of tangible capital assets	(25,000)	-
Loss on disposal of tangible capital assets	(12,337)	(3,683)
	<u>(316,019)</u>	<u>(272,347)</u>
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets (net)	2,875,901	1,613,447
Decrease in long-term debt	1,016,689	172,346
Amounts funded by deferred contributions	(2,800,535)	(1,382,605)
	<u>1,092,055</u>	<u>403,188</u>
<b>CHANGE IN NET ASSETS INVESTED IN TANGIBLE CAPITAL ASSETS</b>	<u><b>776,036</b></u>	<u><b>130,841</b></u>



**CAMPBELLFORD MEMORIAL HOSPITAL  
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**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, 2019. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2019 \$	2018 \$
Balance, beginning of year	1,262,300	1,324,400
Employee future benefits expense	(1,100)	(3,800)
Contributions by the Hospital	(52,300)	(58,300)
<b>Long-term accrued benefit liability - End of the year</b>	<b>1,208,900</b>	<b>1,262,300</b>

Reconciliation of accrued benefit obligation:

Accrued benefit obligation	710,300	688,100
Unamortized actuarial gains	498,600	574,200
<b>Long-term accrued benefit liability - End of the year</b>	<b>1,208,900</b>	<b>1,262,300</b>

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

	2019 \$	2018 \$
Current period benefit cost	37,100	34,700
Interest cost	23,600	24,200
Amortization of actuarial (gains) losses	(61,800)	(62,700)
	(1,100)	(3,800)
Less actual payments	52,300	58,300
	(53,400)	(62,100)

Discount rate for expense	3.37%
Discount rate for disclosure	3.18%
Dental benefits cost escalation	2.75%
Medical benefits cost escalation - extended health care	6.0%, decreasing 0.25% per year to an ultimate rate of 4.5%



**CAMPBELLFORD MEMORIAL HOSPITAL  
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**12. 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 \$893,537 (2018 - \$863,575) and are included in the statement of operations.

As of December 31, 2018, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 122% same as in 2018.

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

	2019 \$	2018 \$
Wait time - pay for results	125,000	125,000
Cancer Care Ontario - colonoscopy funding	11,393	10,052
Behavioural Support	56,149	-
Hospital Infrastructure Renewal Fund (HIRF)	17,704	1,728
Small Rural & Northern Hospital Transformation Fund	214,808	242,816
Year end pressure funding	3,110,500	1,318,994
	<b>3,535,554</b>	<b>1,698,590</b>



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**14. 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.

	2019	2018
	\$	\$
<b>Funding</b>		
Community Mental Health Program	784,225	765,879
GAIN Clinic	612,208	600,213
Municipal Taxes	5,625	5,625
Supportive Housing	483,400	418,647
	<b>1,885,458</b>	<b>1,790,364</b>
<b>Expenses</b>		
Community Mental Health Program	784,225	765,879
GAIN Clinic	612,208	600,213
Municipal Taxes	5,625	5,625
Supportive Housing	483,400	418,647
	<b>1,885,458</b>	<b>1,790,364</b>
Deficit absorbed by the Hospital	-	-

**15. ECONOMIC DEPENDENCE**

The Hospital is dependent on an on-going basis on the Ministry, Cancer Care Ontario and/or CE LHIN as the primary funding source for operating activities.

**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.





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

**(a) Campbellford Memorial Hospital Foundation - (Cont'd)**

The Hospital pays various expenses on behalf of the Foundation, such as salaries and supplies for which it is reimbursed by the Foundation.

During the year, the Campbellford Memorial Hospital Foundation transferred and committed \$949,879 for the purchase of equipment.

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to \$547,421 (2018 - \$183,449).

The Hospital has a receivable from the Foundation for capital expenditures of \$112,000 which is all current as described in Note 4 (2018 - \$112,000).

**(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 \$102,989 and rental income of \$102,989 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 \$26,290 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 \$137,580 - Note 2.

The hospital receives funding for the Supportive Housing Program. At the year-end there was an amount payable to the Multicare Lodge of \$139,082.

**(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 to the Health Centre, for which it is reimbursed. At the year-end, there was a payable to the Health Centre of NIL - Note 2.

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.



**CAMPBELLFORD MEMORIAL HOSPITAL  
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**17. COMMITMENTS**

The Hospital has entered into various agreements with vendors for consulting, equipment rent and memberships with ending term dates between July 2019 to August 2024.

The Hospital has entered into various agreements with vendors for IT hardware and software services with ending term dates between July 2019 to August 2026.

The total spending commitments over the term of these agreements are as follows:

	\$
2020	527,777
2021	232,516
2022	92,316
2023	88,680
2024	62,105
Thereafter	68,726

**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, 2019, the Hospital's portion of the plan was in a surplus position of approximately \$213,618, 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 available to the Hospital for similar debt.

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.



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

**Credit Risk**

Credit risk is the risk of financial loss to the Hospital if a counterparty fails to discharge an obligation. The Hospital is exposed to credit risk in the event of non-performance by patients and insurance companies in connection with its accounts receivable. 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.

**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, 2019, 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 8 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.

**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 to March 31, 2019 of \$400,034 (2018 - \$2,527,363) which are presented in the statement of financial position as net assets.



**CAMPBELLFORD MEMORIAL HOSPITAL  
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**20. CAPITAL MANAGEMENT - (Cont'd)**

**Long-Term Debt**

The Hospital's capital management program also utilizes debt financing. At March 31, 2019, 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, 2019, 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 6; and, to meet the requirements outlined in the Hospital Service Accountability Agreement with the Local Health Integration Network. 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.

