

Financial Statements of

**CAMPBELLFORD MEMORIAL
HOSPITAL**

Year ended March 31, 2023

CAMPBELLFORD MEMORIAL HOSPITAL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Campbellford Memorial Hospital

Opinion

We have audited the financial statements of Campbellford Memorial Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated as a result of the modified retroactive application of the asset retirement obligation standard. Note 2 explains the reason for the restatement and explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



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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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 30, 2023

CAMPBELLFORD MEMORIAL HOSPITAL

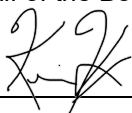
Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Assets		
Current assets:		
Cash	\$ 5,159,686	\$ 1,709,214
Accounts receivable (note 3)	1,676,816	3,603,778
Inventories (note 4)	239,675	207,863
Prepaid expenses and deposits	533,299	572,780
	<u>7,609,476</u>	<u>6,093,635</u>
Tangible capital assets (note 5)	13,002,967	11,159,512
	<u>\$ 20,612,443</u>	<u>\$ 17,253,147</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 16(b))	\$ 4,227,832	\$ 6,151,174
Term loan (note 8)	1,700,000	900,000
Government remittance payable	343,435	236,714
Current portion of long-term debt (note 9)	279,859	-
	<u>6,551,126</u>	<u>7,287,888</u>
Asset retirement obligation (note 10)	876,837	876,837
Deferred capital contributions (note 11)	12,479,467	9,187,576
Future employee benefits (note 13)	974,900	1,041,000
Long-term debt (note 9)	1,820,141	-
Net assets (deficiency):		
Invested in capital assets (note 12)	2,063,359	1,071,936
Unrestricted deficiency	(4,153,387)	(2,212,090)
	<u>(2,090,028)</u>	<u>(1,140,154)</u>
Commitments (notes 17 and 20)		
Contingencies (note 18)		
	<u>\$ 20,612,443</u>	<u>\$ 17,253,147</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Ministry of Health:		
Global funding (note 21)	\$ 18,495,328	\$ 18,060,902
Physician transfer funding	2,151,213	1,960,513
One-time operating funding	2,650,364	2,301,333
	<u>23,296,905</u>	<u>22,322,748</u>
Patient revenue	1,978,232	1,912,754
Other revenue	1,393,130	883,172
Amortization of deferred capital contributions - equipment	581,945	558,158
	<u>27,250,212</u>	<u>25,676,832</u>
Expenses:		
Salaries and wages	16,708,652	15,952,052
Post employee benefits recovery	(66,100)	(67,400)
Physician transfer payments and medical staff	4,453,359	4,058,492
Supplies	2,067,958	1,940,592
Medical and surgical supplies	577,022	605,057
Drugs and medical gases	329,821	326,157
Other supplies and expenses	1,309,212	1,414,907
Equipment expenses	1,592,515	1,140,953
Amortization of tangible capital assets - equipment	1,042,164	619,943
	<u>28,014,603</u>	<u>25,990,753</u>
Excess of expenses over revenue from hospital operations	(764,391)	(313,921)
Other income (expenses):		
Amortization of deferred capital contributions - building and service equipment	495,091	381,541
Amortization of tangible capital assets - building and service equipment	(680,574)	(680,220)
	<u>(185,483)</u>	<u>(298,679)</u>
Separately funded programs (note 15):		
Fund type 2 revenue	1,819,018	1,880,707
Fund type 2 expenses	(1,819,018)	(1,880,707)
	<u>-</u>	<u>-</u>
Excess of expenses over revenue	<u>\$ (949,874)</u>	<u>\$ (612,600)</u>

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2023, with comparative information for 2022

	Invested in tangible capital assets	Unrestricted	2023 Total	2022 Total
				(Restated - note 2)
Net assets (deficiency), beginning of year:				
As previously stated	\$ 1,071,936	\$ (2,212,090)	\$ (1,140,154)	\$ 349,283
Change in accounting policy (note 2)	—	—	—	(876,837)
As restated	1,071,936	(2,212,090)	(1,140,154)	(527,554)
Excess of expenses over revenue (note 12)	(645,702)	(304,172)	(949,874)	(612,600)
Net investment in tangible capital assets (note 12)	1,637,125	(1,637,125)	—	—
Net assets (deficiency), end of year	\$ 2,063,359	\$ (4,153,387)	\$ (2,090,028)	\$ (1,140,154)

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used for):		
Operating activities:		
Excess of expenses over revenue	\$ (949,874)	\$ (612,600)
Items not involving cash:		
Amortization of tangible capital assets	1,722,738	1,300,163
Amortization of deferred capital contributions	(1,077,036)	(939,699)
Decrease in employee future benefits liability	(66,100)	(67,400)
Net change in non-cash working capital:		
Accounts receivable	1,926,962	(1,177,262)
Inventories	(31,812)	(1,010)
Prepaid expenses and deposits	39,481	(62,780)
Accounts payable and accrued liabilities	(1,923,342)	1,828,121
Government remittances payable	106,721	(62,075)
Deferred operating funding	—	(505,150)
	(252,262)	(299,692)
Financing activities:		
Increase in long-term debt	2,100,000	—
Increase in term loan	800,000	900,000
	2,900,000	900,000
Capital activities:		
Contributions received for tangible capital asset purchases	4,368,927	1,836,148
Purchase of tangible capital assets	(3,566,193)	(2,349,895)
	802,734	(513,747)
Net increase in cash	3,450,472	86,561
Cash, beginning of year	1,709,214	1,622,653
Cash, end of year	\$ 5,159,686	\$ 1,709,214

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

The Campbellford Memorial Hospital (the "Hospital") is incorporated under the Ontario Corporations Act. The Hospital is principally involved in providing health care services to Campbellford and area. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

The Hospital is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health (the "Ministry").

The Hospital operates under a Hospital Service Accountability Agreement ("HSAA") with the Ministry. This agreement sets out the rights and obligation of the two parties in respect of funding provided to the Hospital. The HSAA sets out the funding provided to the Hospital together with performance standards and obligation of the Hospital that establish acceptable performance results for the Hospital.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Hospital is funded primarily by the Ministry. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued.

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2023.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Patient and other revenue is recorded as earned when the goods are sold or the services are performed.

(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 (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(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) Tangible capital assets:

Tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life and capacity of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis using the following annual rates per Ministry guidelines:

Asset	Term
Land improvements and heliport	10 years
Buildings	10 to 40 years
Building service equipment	10 to 25 years
Major equipment	5 to 20 years
Software and licensing costs	2 to 15 years

Work-in-progress is amortized when the asset is considered substantially complete and is ready for use by the Hospital.

(f) 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 (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(g) Employee future benefits:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn non-pension post-retirement benefits. The cost of such benefits earned by the employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees and expected health and dental care costs.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the remaining service period of active employees. The Hospital also accrues its obligations for post-employment benefits when an event that obligates the Hospital occurs such as parental and short-term sick leaves. The average remaining service period of active employees covered by the employee benefit plan is 14 years (2022 - 15 years).

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Corporation has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multiemployer defined benefit plan are expensed when due.

The most recent funding of this multi-employer pension plan conducted as at December 31, 2022 disclosed actuarial assets of \$103.6 billion (2021 - \$114.4 billion) with accrued pension liabilities of \$92.7 billion (2021 - \$85.9 billion), resulting in a surplus of \$10.9 million (2021 - \$28.5 million). This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 based on the assumptions and methods adopted for the valuation.

(h) Use of estimates:

The preparation of financial statement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to subsequently carry financial instruments at fair value.

Long-term debt is recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations.

(j) Statement of rereasurement gains and losses:

A statement of rereasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2023.

(k) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Change in accounting policy:

On April 1, 2021, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Hospital's asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to buildings owned by the Hospital that contain asbestos. The buildings were originally purchased or constructed prior to 1962, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 40 years, and the estimate has not been changed since purchase or construction.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

- An increase of \$876,837, to the buildings capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of the same amount to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized;
- An asset retirement obligation in the amount of \$876,837, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets of \$876,837, representing 40 years of accumulated amortization expense on the buildings asset.

3. Accounts receivable:

	2023	2022
Campbellford Memorial Hospital Foundation (note 16(a))	\$ 113,180	\$ 42,659
Campbellford Memorial Multicare Lodge (note 16(b))	75,392	77,522
Ministry of Health	744,329	3,117,075
Other	743,915	366,522
	1,676,816	3,603,778
Less allowance for doubtful accounts	–	–
	\$ 1,676,816	\$ 3,603,778

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Inventories:

	2023	2022
Food and dietary supplies	\$ 14,883	\$ 14,883
Drugs and medicines	80,507	36,328
Laboratory supplies	74,030	77,472
Medicine and other supplies	70,255	79,180
	<u>\$ 239,675</u>	<u>\$ 207,863</u>

5. Tangible capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value (Restated - note 2)
Land	\$ 298,985	\$ -	\$ 298,985	\$ 298,985
Land improvements and heliport	551,819	522,398	29,421	56,948
Buildings, including asset retirement costs	11,110,889	10,285,678	825,211	1,093,243
Building service - equipment	8,100,315	4,449,851	3,650,464	4,173,768
Major equipment	16,533,958	13,850,536	2,683,422	2,407,143
Software and licensing costs (note 20)	3,129,425	423,019	2,706,406	3,129,425
Work-in-progress	2,809,058	-	2,809,058	-
	<u>\$ 42,534,449</u>	<u>\$ 29,531,482</u>	<u>\$ 13,002,967</u>	<u>\$ 11,159,512</u>

Cost and accumulated amortization at March 31, 2022 amounted to \$38,968,256 and \$27,808,744, respectively.

Management has reviewed for full and partial impairment at March 31, 2023 and determined there is none (2022 - none).

Capital costs incurred to date of \$2,809,058 (2022 - \$Nil) included in work-in-progress relates the ongoing project to replace the heating, ventilation and air conditioning and emergency generator at the Hospital. At March 31, 2023, the remaining commitment on the project is \$6,651,942 (2022 - \$Nil).

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Tangible capital assets (continued):

To fund this project, the Hospital obtained debt financing as described in note 9 as well as receiving a capital grant from the Ministry in the amount of \$9.6million. Of this amount, \$3.6million has been received as at March 31, 2023, with the unspent portion of \$3.6million reflected in deferred capital contributions as described in note 11. This project is expected to be completed in fiscal 2024.

6. Accounts payable and accrued liabilities:

The following amounts are included in accounts payable and accrued liabilities on the Statement of Financial Position related to Ministry of Health payables:

	2023	2022
Behavioural supports Ontario	\$ 147,770	\$ 64,581
SFH environmental initiatives	87,415	170,979
Back-office integration funding	60,403	28,272
Geriatric Assessment & Intervention Network	31,256	25,465
Supportive housing	12,211	80,739
Hospital On-Call Coverage (HOCC)	–	223,347
Wait-time strategy funding	–	137,430
Emergency department AFA	–	91,623
Community mental health	–	79,173
Cancercare Care Ontario	–	43,867
Common assessment program for community mental health	–	3,300
	\$ 339,055	\$ 948,776

7. Deferred operating funding:

In fiscal 2019, the Hospital received \$5,000,000 from the Ministry to address financial sustainability risks. In fiscal 2019, funding of \$2,913,000 was used to repay the long-term debt and provide working capital. The remaining balance of \$2,087,000 was deferred, to be utilized in fiscal 2020, 2021 and 2022 to support operational costs.

In fiscal 2023, \$Nil (2022 - \$505,150) of this funding was recognized as revenue to offset operational costs. These funds have been fully utilized as at March 31 2022.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Credit facilities:

The Hospital has an available \$200,000 revolving lease line of credit with no balance outstanding at the end of the year (2022 - \$Nil).

The Hospital has an available operating line credit facility to a maximum of \$1.2 million with \$Nil outstanding at March 31, 2023 (2022 - \$Nil) which is unsecured at the lender's prime rate and is due on demand.

The Hospital has a non-revolving fixed rate term facility to a maximum of \$2,500,000, with \$1,700,000 outstanding at March 31, 2023 (2022 - \$900,000) which is unsecured at the lender's prime rate less 0.25% and is due on demand.

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 revolving lease line of credit, operating line of credit and the fixed rate term facility was \$ Nil (2022 - \$Nil), \$Nil (2022 - \$Nil) and \$68,908 (2022 - \$26,550), respectively and is included in other supplies and expenses on the Statement of Operations.

9. Long-term debt:

	2023	2022
Ontario Financing Authority, maturing March 2030	\$ 2,100,000	\$ –
Less: current portion of long-term debt	(279,859)	–
Non-current portion	\$ 1,820,141	\$ –

The Hospital entered into a loan agreement effective December 14, 2022, with the Ontario Financing Authority in the amount of \$2,100,000 to finance the Heating Ventilation and Air Conditioning and Emergency Generator Replacement Project. The loan has a variable interest rate based on the Province of Ontario's cost of funds for a seven-year amortizing bond plus 0.034% and will be repaid over seven years in equal monthly instalments combining principal and interest of \$27,075. The loan will be fully repaid by March 2030.

Interest on long-term liabilities in the amount of \$Nil is included in other supplies and expenses on the Statement of Operations.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Long-term debt (continued):

The minimum scheduled principal repayments are as follows:

2024	\$	279,859
2025		286,318
2026		292,927
2027		299,688
2028		306,605
2029 and thereafter		634,603
		<hr/>
		\$ 2,100,000

10. Asset retirement obligations:

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ 876,837	\$ –
Change in accounting policy (note 2)	–	876,837
Opening balance, as restated	876,837	876,837
Balance, end of year	\$ 876,837	\$ 876,837

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Deferred capital 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:

	2023		2022	
	Principal amount	Accumulated amortization	Principal amount	Accumulated amortization
Donations for capital purposes:				
Balance, beginning of year	\$ 10,708,461	\$ 8,373,154	\$ 10,032,165	\$ 7,914,571
Received/receivable during year:				
Campbellford Memorial Hospital Foundation	1,013,825	–	676,296	–
Amortization	–	453,469	–	458,583
Balance, end of year	11,722,286	8,826,623	10,708,461	8,373,154
Grants for capital purposes:				
Balance, beginning of year	14,347,335	7,495,066	13,186,032	7,012,499
Received/receivable during year:				
Ministry of Health	3,355,102	–	1,161,303	–
Amortization	–	623,567	–	482,567
Balance, end of year	17,702,437	8,118,633	14,347,335	7,495,066
Combined grants and donations	\$ 29,424,723	\$ 16,945,256	\$ 25,055,796	\$ 15,868,220
Unamortized balance	\$ 12,479,467		\$ 9,187,576	

Allocation of amortization:

	2023	2022
Equipment donation and grant amortization	\$ 581,945	\$ 558,158
Building and service equipment donation and grant amortization	495,091	381,541
	\$ 1,077,036	\$ 939,699

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Deferred capital contributions (continued):

The balance of unamortized and unspent funds consists of the following:

	2023	2022
Unamortized contributions used to purchase capital assets	\$ 8,839,608	\$ 9,187,576
Unspent contributions	3,639,859	-
	<u>\$ 12,479,467</u>	<u>\$ 9,187,576</u>

12. Investment in tangible capital assets:

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

	2023	2022
Tangible capital assets	\$ 13,002,967	\$ 11,159,512
Less amounts funded by:		
Deferred contributions used for tangible capital asset acquisition (note 11)	8,839,608	9,187,576
Term loan	-	900,000
Long-term debt	2,100,000	-
	<u>\$ 2,063,359</u>	<u>\$ 1,071,936</u>

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

	2023	2022
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 1,077,036	\$ 939,699
Amortization of tangible capital assets	(1,722,738)	(1,300,163)
	(645,702)	(360,464)
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets	3,566,193	2,349,895
Increase (repayable) in term loan	900,000	(900,000)
Increase in long-term debt	(2,100,000)	-
Amounts funded by deferred contributions	(729,068)	(1,836,148)
	<u>1,637,125</u>	<u>(386,253)</u>
	<u>\$ 991,423</u>	<u>\$ (746,717)</u>

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. 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, 2020. The next actuarial valuation will be completed at March 31, 2024. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2023	2022
Balance, beginning of year	\$ 1,041,000	\$ 1,108,400
Employee future benefits expense	32,000	28,800
Contributions by the Hospital	(98,100)	(96,200)
Balance, end of year	\$ 974,900	\$ 1,041,000

Reconciliation of accrued benefit liability:

	2023	2022
Accrued benefit obligation	\$ 796,400	\$ 821,900
Unamortized actuarial gains	178,500	219,100
	\$ 974,900	\$ 1,041,000

The employee future benefit recovery is composed of:

	2023	2022
Current period benefit cost	\$ 46,000	\$ 48,900
Interest cost	32,000	28,900
Amortization of actuarial gains	(52,800)	(49,000)
	25,200	28,800
Less actual payments	(91,300)	(96,200)
	\$ (66,100)	\$ (67,400)
Discount rate for expense	3.89%	3.21%
Discount rate for disclosure	4.04%	3.89%
Dental benefits cost escalation	3.00%	3.00%
Medical benefits cost escalation - extended health care	5.37%, decreasing 0.13% per year to an ultimate rate of 3.57%	5.37%, decreasing 0.13% per year to an ultimate rate of 3.57%

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan ("HOOPP"), 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.

Variations 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 \$934,722 (2022 - \$1,021,219) and are included in the Statement of Operations.

As of December 31, 2022, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 117%.

15. Ministry of Health - separately funding 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 on the Statement of Operations.

	2023	2022
Funding:		
Community Mental Health Program	\$ 790,425	\$ 807,096
GAIN Clinic	529,424	621,786
Municipal taxes	5,625	5,625
Supportive housing	493,544	446,200
	1,819,018	1,880,707
Expenses:		
Community Mental Health Program	790,425	807,096
GAIN Clinic	529,424	621,786
Municipal taxes	5,625	5,625
Supportive housing	493,544	446,200
	1,819,018	1,880,707
Surplus	\$ -	\$ -

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Related entities:

(a) Campbellford Memorial Hospital Foundation:

The Hospital is closely related to Campbellford Memorial Hospital Foundation (the "Foundation") which was established to raise funds for charitable purposes in the community health care field as well as for the benefit of the Hospital. 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 Hospital since the Foundation does not accumulate funds solely for the Hospital.

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 Foundation transferred \$1,013,825 (2022 - \$666,292) for the purchase of equipment.

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to \$1,013,825 (2022 - \$42,659).

(b) Transactions with Campbellford Memorial Multicare Lodge:

The Hospital leases space from the Campbellford Memorial Multicare Lodge (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 \$100,090 and rental income of \$100,090 related to this activity are included in sundry and other revenue, respectively.

The Hospital provides various services which are billed to the Multicare Lodge and amounted to \$35,800 during the year (2022 - \$31,325). 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 year-end, there was an amount receivable from the Multicare Lodge for these services of \$75,392 (2022 - \$77,522).

The Hospital receives funding for the Supportive Housing Program. At the year-end there was an amount payable to the Multicare Lodge of \$105,175 (2022 - \$35,950).

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

These are also related entities in which the Hospital has an economic interest. The Campbellford Memorial Health Centre (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 year-end, there was a payable to the Health Centre of \$Nil (2022 - \$Nil).

The Campbellford Memorial Hospital Auxiliary (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

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Commitments:

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

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

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

2024	\$	62,105
2025		35,615
2026		23,373
2027		9,739

18. Contingencies:

(a) The Hospital uses Industrial Alliance to administer the Extended Health Care, stop-loss coverage, and travel and dental benefits for the Hospital's employees. Industrial Alliance provides administrative services only; therefore, the Hospital assumes the risk. As at March 31, 2023, the Hospital's portion of the plan was in a surplus position of approximately \$240,785 (2022 - \$298,972), which is included in prepaid expenses and deposits on the Statement of Financial Position.

(b) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on April 1, 2014. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2023.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2023.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

18. Contingencies (continued):

(c) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

19. Fair value of financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

There has been no significant change to the credit risk exposure from 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There has been no significant change to the liquidity risk exposure from 2022, with the exception of improvement in the Hospital's working capital, mainly due to the issuance of long-term debt during the year.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

19. Fair value of financial instruments (continued):

(c) 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.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through its credit facilities discussed in notes 8 and 9 to these financial statements.

There has been no significant change to the interest rate risk exposure from 2022, with the exception of the draw on the Hospital's credit facility and the issuance of long-term debt as described in note 8 and 9.

20. Implementation of Clinical Information System:

In February 2019, the Hospital signed a Memorandum of Understanding with six other partner hospitals in the region for the implementation of a Clinical Information System ("CIS"). This is a transformational project that spanned multiple years and was undertaken in collaboration with other hospitals. The current estimated cost of the project to the Hospital for capital and operating costs over a 10-year period is \$6 million. These costs will be funded through contributions from the Foundation as well as financing options that have not yet been finalized.

The CIS had a soft go-live in December 2021, followed by a stabilization period up to March 31, 2022. Costs incurred as at March 31, 2023 related to this project amount to \$3,129,425 (2022 - \$3,129,425) and are included as a component of capital assets on the Statement of Financial Position.

21. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry of Health ("Ministry") has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, and other operational pressures through a broad-based funding reconciliation.

While the Ministry has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

21. Ministry of Health pandemic funding (continued):

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the Ministry funding for COVID-19 recognized as revenue in the current year are summarized below:

	2023	2022
Funding for incremental COVID-19 operating expenses	\$ 955,630	\$ 2,202,712
Funding for COVID-19 assessment centre	216,000	396,286
Funding for temporary physician funding	32,600	36,775
	<u>\$ 1,204,230</u>	<u>\$ 2,635,773</u>

In addition to the above, the Hospital has also recognized \$71,630 (2022 - \$111,162) in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

22. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the Ministry and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2024 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations on the basis of continued government support to address the financial challenges related to the pandemic. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.