

CAMPBELLFORD MEMORIAL HOSPITAL

FINANCIAL STATEMENTS

For the years ended March 31, 2013 and March 31, 2012

**CAMPBELLFORD MEMORIAL HOSPITAL
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AS AT MARCH 31, 2013 AND 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of changes in net assets (deficiency), operations and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

	March 31, 2013	Restated March 31, 2012	Restated April 1, 2011
ASSETS			
CURRENT ASSETS			
Cash	\$587,279	\$975	\$675
Accounts Receivable - Note 4	544,762	612,743	933,290
Inventory - Note 5	191,129	200,024	218,917
Prepaid expenses	320,834	298,174	285,133
Total Current Assets	1,644,004	1,111,916	1,438,015
Long-Term Receivable - Note 6	462,000	524,071	619,548
Construction in Progress	6,125	25,279	0
Capital Assets - Note 7	7,765,416	8,029,947	8,565,909
Total Assets	\$9,877,545	\$9,691,213	\$10,623,472
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and accrued liabilities - Note 8	\$3,180,500	\$2,502,932	\$2,324,915
Short Term Borrowing - Note 9	0	294,133	672,175
Current portion of long-term debt - Note 10	158,996	269,342	260,234
Current portion of capital lease - Note 11	23,753	23,753	0
Total Current Liabilities	3,363,249	3,090,160	3,257,324
DEFERRED CAPITAL CONTRIBUTIONS - Note 12	4,687,390	5,060,279	5,668,468
LONG TERM DEBT - Note 10	1,797,678	1,277,942	1,573,926
CAPITAL LEASE - Note 11	13,856	37,609	0
POST EMPLOYMENT BENEFITS - Note 13	1,732,600	1,681,300	1,553,400
	11,594,773	11,147,290	12,053,119
NET ASSETS			
INVESTED IN CAPITAL ASSETS - Note 14	1,059,378	1,356,910	1,063,281
UNRESTRICTED	(2,776,606)	(2,812,987)	(2,492,928)
	(1,717,228)	(1,456,077)	(1,429,647)
	\$9,877,545	\$9,691,213	\$10,623,472

APPROVED ON BEHALF OF THE BOARD

Director

Director

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**Campbellford Memorial Hospital
Statement of Operations**

For the years ended	March 31, 2013	Restated March 31, 2012
REVENUE		
Ministry of Health and Long-Term Care and Local Health Integration Network		
Global funding	\$ 12,743,187	\$ 12,705,400
Physician transfer funding	2,489,552	2,283,605
Diabetes education program	145,354	144,556
One-time operating funding - Note 16	429,635	617,968
Patient Revenue	1,353,393	1,436,241
Amortization of deferred capital contribution - Note 12	411,889	496,015
Other revenues	648,543	728,764
TOTAL REVENUE	18,221,554	18,412,549
EXPENSES		
DIRECT EXPENSES		
Salaries and benefits	10,903,163	10,611,863
Post-employment benefits - Note 13	51,300	127,900
Physician transfer payments and medical staff	3,173,645	2,999,144
Supplies	1,273,041	1,276,590
Medical & Surgical Supplies	471,455	479,281
Drugs and Medical Gases	205,129	270,302
Sundry	933,165	1,283,480
Equipment Expenses	774,310	792,143
Amortization of Capital Assets - Equipment - Note 7	432,342	494,601
TOTAL DIRECT EXPENSES	18,217,550	18,335,304
EXCESS OF REVENUE OVER DIRECT EXPENSES FOR THE YEAR	4,004	77,245
SEPARATELY FUNDED PROGRAMS - Note 17	-	-
OTHER		
Amortization of deferred capital contributions - building and service equipment - Note 12	241,593	220,774
Amortization of building and service equipment - Note 7	506,748	485,668
	(265,155)	(264,894)
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(\$261,151)	(\$187,649)

The accompanying notes form an integral part of these financial statements

Campbellford Memorial Hospital
Statement of Changes in Net Assets

	March 31, 2013		
	Invested in Capital Assets Note 14	Unrestricted	Total
BALANCE, BEGINNING OF YEAR	\$1,356,910	\$(2,812,987)	\$(1,456,077)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(289,757)	28,606	(261,151)
INVESTMENT IN CAPITAL ASSETS	(7,775)	7,775	0
BALANCE, END OF YEAR	\$1,059,378	\$(2,776,606)	\$(1,717,228)

	Restated March 31, 2012		
	Invested in Capital Assets Note 14	Unrestricted	Total
PRIOR BALANCE, BEGINNING OF YEAR	\$832,874	\$(2,070,388)	\$(1,237,514)
PRIOR PERIOD ADJUSTMENTS	230,408	(422,540)	(192,132)
RESTATED BALANCE, BEGINNING OF YEAR	1,063,282	(2,492,928)	(1,429,646)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(264,033)	76,383	(187,650)
INVESTMENT IN CAPITAL ASSETS	557,661	(396,442)	161,219
BALANCE, END OF YEAR	\$1,356,910	\$(2,812,987)	\$(1,456,077)

The accompanying notes form an integral part of these financial statements

Campbellford Memorial Hospital
Statement of Cash Flows

	March 31, 2013	Restated March 31, 2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of expenditures over revenue	\$(261,151)	\$(187,649)
Items not involving cash:		
Amortization of capital assets	939,647	980,826
Amortization of deferred capital contributions	(653,482)	(716,792)
Gain on disposal of capital assets	(8,635)	0
Increase in future employee benefits obligation	51,300	127,900
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	67,981	320,547
(Increase) decrease in inventories	8,895	18,893
(Increase) decrease in Prepaid Expenses	(22,660)	(13,041)
Increase (decrease) in Accounts Payable and Accrued Liabilities	677,569	178,015
	<u>799,464</u>	<u>708,698</u>
FINANCING		
Increase (decrease) in bank indebtedness	(294,133)	(378,042)
Long-term debt obligation repayments	(640,610)	(286,876)
Long-term debt obligation advanced	1,050,000	0
(Increase) decrease in long-term receivable	62,071	95,477
Capital lease obligation advanced	0	71,260
Capital lease obligation repayments	(23,753)	(9,898)
	<u>153,575</u>	<u>(508,079)</u>
CAPITAL		
Contributions received for capital purposes	280,593	108,604
Proceeds on disposal of capital assets	12,227	0
Construction in progress	19,154	(25,279)
Purchase of capital assets	(678,708)	(283,644)
	<u>(366,734)</u>	<u>(200,319)</u>
NET INCREASE (DECREASE) IN CASH FOR YEAR	586,304	300
CASH - BEGINNING OF YEAR	975	675
CASH- END OF YEAR	\$587,279	\$975

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). Significant accounting policies adopted by the Hospital are summarized as follows:

(a) Revenue Recognition

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

Unrestricted contributions are recognized as revenue when received or receivable.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related 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, 2013**

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) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost is determined on the 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 18.

(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. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Gains and losses on the disposal of 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.

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

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

(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.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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

(g) Accrued Vacation Pay

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

(h) Leased Equipment

Equipment under leases that effectively transfer substantially all of the benefits and risks of ownership to the hospital as lessee is recorded as 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.

(i) Post-Employment Benefits

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

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

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

(j) Management Estimates

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

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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

(k) Financial Instruments

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

Fair Value

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

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

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

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

Amortized cost

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

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, governments NPOs have a choice of:

1. Public sector accounting standards including PS 4200 – 4270 for government not-for-profit organizations; or
2. Public sector accounting standards

The Hospital has chosen to follow Public Sector Accounting standards including PS 4200 – 4270 for government not-for-profit organizations.

Effective April 1, 2012, the Hospital adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs statement of financial position at the date of transition of April 1, 2011.

The Hospital issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles (GAAP) prescribed by the CICA Handbook. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over (under) expenses and cash flows of the Hospital. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Hospital's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

The following exemptions and exceptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Actuarial Gains and Losses

Pre-changeover GAAP allowed the Hospital to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs required the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Hospital to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Hospital has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 – Retirement Benefits.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS (Cont'd)

Reconciliation of net assets and excess of revenue over (under) expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenues over (under) expenses:

Statement of Financial Position as at April 1, 2011 - Transition Date

	Pre- changeover Canadian GAAP	Adj. (i)	Adj. (ii)	Adj. (iii)	PSAB for Government NPO's
Liabilities					
Post-employment benefits					
Retirement benefits	\$ 1,164,600	\$ 714,500	\$ (87,700)	\$ (238,000)	\$ 1,553,400
	1,164,600	714,500	(87,700)	(238,000)	1,553,400
Net Assets					
Post-employment benefits	\$ 1,164,600	\$ 714,500	\$ (87,700)	\$ (238,000)	\$ 1,553,400

Statement of Financial Position for the year-ended March 31, 2012

	Pre- changeover Canadian GAAP	Adj. (i)	Adj. (ii)	Adj. (iii)	PSAB for Government NPO's
Liabilities					
Post-employment benefits					
Retirement benefits	\$ 1,255,500	\$ 714,500	\$ (87,700)	\$ (201,000)	\$ 1,681,300
	1,255,500	714,500	(87,700)	(201,000)	1,681,300
Net Assets					
Post-employment benefits	\$ 1,255,500	\$ 714,500	\$ (87,700)	\$ (201,000)	\$ 1,681,300

Statement of Operations for the year-ended March 31, 2012

	Pre- changeover Canadian GAAP	Adjustments	PSAB for Government NPO's
Expenses			
Salaries and wages	\$ 8,470,568	\$ 127,900	\$ 8,598,468
Net Revenue (under) Expenses	\$ (121,939)	\$ (127,900)	\$ (249,839)

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSBA for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in excess of revenues over expenses for the year-ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSBA for Government NPOs resulted in the reclassification of cash receipts and outflows relating the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanations for Adjustments to PSAB for Government NPOs

(i) Amortization of Actuarial Gains/Losses

As discussed in Note 2 - First Time Adoption of Public Sector Accounting Standards, Optional Exemptions, the Hospital has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the Hospital has recognized an increased liability and a charge to net assets as described in the tables above.

(ii) Discount Rate Used to Calculate Post-Employment Benefits

Under PS 3250/3255, the discount rate used to determine the ABO (Accumulated Benefit Obligation) is reflective of the Hospital's long-term cost of borrowing. For this purpose, the Hospital has adopted the rate recommended by the Ministry of Health and Long-Term Care (MOHLTC) as of April 1, 2011 (5.63% per annum). Under CICA 3461, the discount rate used to determine the ABO was based on high-quality corporate bonds (i.e. 5.0% per annum as at April, 2011).

(iii) Appropriate Attribution Period to Calculate Post-Employment Benefits

Under PS3250/3255, the accrued benefit obligation was updated to reflect the appropriate attribution period under these standards. Specifically, under PS 3250/3255 benefits are attributed from an employee's date of hire to the date of first payment (expected retirement date). Under CICA 3461, the attribution period is from the date of hire to the date of full eligibility.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

3. PRIOR PERIOD RESTATEMENT

The hospital's financial statements have been restated due to changes to prior period balances:

As a result of these changes, opening net assets as of April 1, 2011 have decreased by \$192,132, post-employment benefits increased by \$388,800, accounts payable increased by \$33,739 and deferred capital contributions decreased by \$230,407.

As a result of these changes, net assets for the year ending March 31, 2012 have decreased by \$65,711, post-employment benefits increased by \$37,000, accounts payable increased by \$56,988 and deferred capital contributions decreased by \$28,277.

The net effect of the adjustments to net assets resulted in a restatement of the balances, including the effect of the adoption of public sector accounting standards as outlined in note 2, is as follows:

	<u>March 31, 2012</u>	<u>April 1, 2011</u>
Disposal of deferred donation not recorded	\$ 0	\$ 129,500
Decrease in amortization of capital contribution	28,277	100,907
Increase in accounts payable	(56,988)	(33,739)
Increase post-employment benefits - Note 2	(37,000)	(388,800)
	<u>\$ (65,711)</u>	<u>\$ (192,132)</u>

The net effect of the above adjustments for the March 31, 2012 year results in an increase in the deficit by \$257,843 (\$65,711 and \$192,132). The changes to the statement of operations are an increase in Salaries and benefits of \$56,988 for the year ended March 31, 2012 and an increase of \$33,739 for the year ended March 31, 2011; an increase in post-employment benefits expenses of \$37,000 for the year ended March 31, 2012) and \$388,800 for prior years; an increase in deferred contribution revenue of \$180,984 for prior years and a gain on disposal of assets of \$77,700 for prior years.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

4. ACCOUNTS RECEIVABLE

	2013	2012
Campbellford Memorial Hospital Foundation - Note 18 (a)	\$ 27,840	\$ 33,788
Campbellford Memorial Multicare Lodge - Note 18 (b)	72,540	78,885
Campbellford Memorial Health Centre - Note 18 (c)	2,852	1,167
Campbellford Memorial Hospital Foundation - donations re capital - Notes 6 and 18 (a)	70,000	68,839
Other	371,530	430,064
	<hr/> \$544,762	<hr/> \$612,743

5. INVENTORIES

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

	2013	2012
Food and dietary supplies	\$ 7,994	\$ 8,199
Drugs and medicines	74,312	75,938
Laboratory supplies	51,169	48,654
Medical and other supplies	57,654	67,233
	<hr/> \$191,129	<hr/> \$200,024

6. LONG-TERM RECEIVABLE

	2013	2012
Due from Campbellford Memorial Hospital Foundation	\$ 532,000	\$ 592,910
Less: Current portion included in current accounts receivable	70,000	68,839
	<hr/> \$ 462,000	<hr/> \$ 524,071

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

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

7. CAPITAL ASSETS

	2013	2012
Land	\$ 298,985	\$ 298,985
Land improvements and heliport	491,947	251,286
Buildings	9,529,172	9,516,681
Building service - equipment	3,822,436	3,705,577
Major equipment - shareable	10,500,130	10,296,238
- non-shareable	16,009	16,009
Software licences	919,585	919,585
Leasehold improvements	146,935	146,935
Total Cost	25,725,199	25,151,296
Less: Accumulated amortization	18,019,164	17,195,575
	7,706,035	7,955,721
 Equipment under capital lease	 74,226	 74,226
Less: Accumulated amortization on leased capital assets	14,845	-
	59,381	74,226
 Total cost less accumulated amortization	 \$7,765,416	 \$8,029,947

Allocation of amortization:

	2013	2012
Equipment and software amortization	\$432,342	\$494,601
Amortization of building and service equipment	\$506,748	\$485,669

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

8. MINISTRY OF HEALTH AND LONG-TERM CARE PAYABLE

	2013	2012
Ministry of Health and Long-term Care		
- Diabetes program	\$ 8,980	\$ 5,856
- Common Assessment Program for Community Mental Health	30,100	22,600
- WT Nurse Practitioner	68,796	-
- Ontario Telemedicine Network	38,713	28,923
- Data Quality Cleanup	19,411	19,411
- Community Mental Health	87,588	86,959
- Ontario Case Costing Initiative	47,742	47,742
- Hospital On Call	41	41
- New Graduates Funding	41,492	27,468
- Seniors Friendly Capital Funding	6,500	6,500
- Cancer Care Ontario	11,420	-
- Daily Access Reporting Tool	2,000	2,000
- Nursing Enhancement Funding	8,921	8,921
- Wait Time Strategy Funding	-	14,400
	<hr/> \$371,704	<hr/> \$270,821

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

Deferred revenue of \$427,138 is also included in accounts payable and accrued liabilities.

Government remittances payable at March 31, 2013 including federal and provincial sales tax, payroll taxes, health taxes and workers' safety insurance premiums totalled \$108,292.

9. BANK INDEBTEDNESS

	2013	2012
Bank overdraft	-	\$ 294,133
Operating line of credit	-	-
	<hr/> -	<hr/> \$ 294,133

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, 2013 (\$1.2 million at March 31, 2012) 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 \$17,160 (2012 - \$17,402) and is included in interest expense.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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

10. LONG-TERM DEBT

	2013	2012
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$2,029 including interest at a rate of 3% to October 2022	\$ 202,512	\$ 220,487
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$1,841 including interest at a rate of 2.96% to February 2018	189,640	204,321
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$10,543 including interest at a rate of 4.90% to repaid November 2012.	-	162,923
Fixed rate loan, unsecured, repayable in blended monthly installments of \$2,647 including interest at a rate of 4.20% repaid November 2012.	-	188,388
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$2,581 including interest at a rate of 5.12% repaid November 2012.	-	178,255
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$1,534 including interest at a rate of 3.82% to November 2017.	206,520	-
Fixed rate term loan, unsecured, repayable in blended monthly installments of \$6,108 including interest at a rate of 3.75% to November 2022.	826,001	-
Bankers acceptance, secured by CT scanner, repayable in blended annual installments of \$70,000 including interest at 1.59571%	532,000	592,910
	1,956,673	1,547,284
Less current portion included in current liabilities	158,996	269,342
	\$1,797,678	1,277,942

Interest expense incurred on these loans during the year was \$50,576 (\$57,858 in 2012) and is included in interest expense.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

10. LONG-TERM DEBT (Cont'd)

Canadian generally accepted accounting principles require that loans for which the lender can demand repayment be classified as current liabilities. Regular principal payments required on the demand term loans are due as follows:

2014	\$ 158,996
2015	162,119
2016	165,354
2017	168,704
2018	172,173
Thereafter	1,129,327

Security for the banker's acceptance of \$532,000 includes a guarantee and postponement of claim totaling \$532,000 signed by Campbellford Memorial Hospital Foundation.

11. OBLIGATIONS UNDER CAPITAL LEASE

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

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

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

12. DEFERRED CONTRIBUTIONS

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

	2013		2012	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization Restated
	\$	\$	\$	\$
Donations for Capital Purposes				
Balance - beginning of year	\$ 5,762,545	\$ 3,188,359	\$ 5,718,524	\$ 2,712,063
Received/receivable during year:				
Campbellford Memorial				
Hospital Foundation	199,998	-	43,846	-
Campbellford Memorial				
Hospital Auxiliary	70,000	-	-	-
Disposal of equipment	(22,587)	(22,587)	-	-
Other	10,595	-	175	-
Amortization for year - Note 1(a)	-	402,276	-	476,296
Balance - End of year	\$ 6,020,551	\$ 3,568,048	\$ 5,762,545	\$ 3,188,359
Grants for Capital Purposes				
Balance - beginning of year	\$ 6,419,466	\$ 3,933,373	\$ 6,354,883	\$ 3,692,878
Received/receivable during year	-	-	64,583	-
Amortization for year - Note 1(a)	-	251,206	-	240,495
Balance - End of year	6,419,466	4,184,579	6,419,466	3,933,373
Combined Grants and Donations	12,440,017	7,752,627	12,182,011	7,121,732
Unamortized Balance	\$ 4,687,390		\$ 5,060,279	

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

12. DEFERRED CONTRIBUTIONS (Cont'd)

Allocation of amortization:	2013	2012
Equipment Donation and Grant Amortization	\$ 411,889	\$ 496,015
Building and Service Equipment Donation and Grant Amortization	\$ 241,593	\$ 220,774

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, 2012. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2013	Restated 2012
Balance, beginning of year	\$1,681,300	\$1,553,400
Employee future benefits expense	195,900	264,200
Contributions by the Hospital	(144,600)	(136,300)
Long-term accrued benefit liability - End of the year	\$1,732,600	\$1,681,300
Reconciliation of accrued benefit obligation:		
Accrued benefit obligation	\$1,994,400	\$1,825,500
Experience losses (gains)	(261,800)	(144,200)
Long-term accrued benefit liability - End of the year	\$1,732,600	\$1,681,300

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

13. POST-EMPLOYMENT BENEFITS (Cont'd)

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

	2013	2012
Current period benefit cost	\$ 96,100	\$ 82,200
Interest cost	86,700	93,200
Actuarial adjustment for current experience and gains and losses	13,100	
Prior service costs incurred during the period	-	88,800
	<hr/> 195,900	<hr/> 264,200
Less actual payments	144,600	136,300
	<hr/> \$ 51,300	<hr/> \$127,900
<hr/>		
Discount rate for expense	4.69%	
Discount rate for disclosure	3.94%	
Dental benefits cost escalation	4%	
Medical benefits cost escalation - extended health care	7.0%, decreasing 0.5% per Year to an ultimate rate of 5.0%	

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

14. INVESTMENT IN CAPITAL ASSETS

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

	2013	Restated 2012
Capital assets	\$ 7,765,416	\$ 8,029,947
Construction in progress	6,125	25,279
	<u>7,771,541</u>	<u>8,055,226</u>
Less amounts funded by:		
Deferred contributions used for capital asset acquisition (Note 12)	4,687,390	5,060,279
Accounts payable	30,490	29,391
Term debt	1,956,674	1,547,284
Capital lease	37,609	61,362
	<u>\$1,059,378</u>	<u>\$1,356,910</u>

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

	2013	2012
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	\$ 653,482	\$ 716,792
Gain (loss) on disposal of capital assets	8,635	-
Proceeds on disposal of capital assets	(12,227)	-
Amortization of capital assets	(939,647)	(980,825)
	<u>(289,757)</u>	<u>(264,033)</u>
Net change in investment in capital assets:		
Purchase of capital assets	678,708	283,644
Construction in Progress	(19,154)	25,279
Donation of land	-	161,219
Amounts funded by deferred capital contributions	(280,593)	(108,604)
Amounts funded by accounts payable	(1,099)	(29,391)
Decrease (increase) in long-term debt	(409,390)	286,876
Decrease (increase) in capital lease	23,753	(61,362)
	<u>(7,775)</u>	<u>557,661</u>
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS	<u>\$(297,532)</u>	<u>\$293,628</u>

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

15. 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 \$681,213 (2012 - \$679,426) and are included in the statement of operations.

As of December 31, 2012, the HOOPP pension plan is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 104%, up one percent from 2011.

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

	2013	2012
Nursing - new graduates	\$ 27,000	\$ 54,937
Wait time – pay for results nurse practitioner	14,604	-
Cancer Care Ontario - surgery funds	39,041	32,373
Wait time strategy - surgery funds	38,600	62,556
ECFA implementation	-	44,500
Nursing enhancement fund	-	29,219
Late career funding	-	1,973
Ontario Telemedicine Network	13,990	10,710
Discharge coordination	-	14,453
Restorative care	262,700	144,657
Chronic care funding	700	2,000
Data quality cleanup	-	590
CT Wait time funding	33,000	20,000
ALC funding	-	200,000
	<hr/> \$429,635	<hr/> \$617,968 <hr/>

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

17. 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.

	2013	2012
Funding		
Community Mental Health Program	\$744,846	\$746,485
Municipal Taxes	5,625	5,625
	<hr/> \$750,471	<hr/> \$752,110
Expenses		
Community Mental Health Program	\$744,846	\$746,485
Municipal Taxes	5,625	5,625
	<hr/> \$750,471	<hr/> \$752,110
Deficit absorbed by the Hospital	-	-

18. 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 \$277,527 for the purchase of equipment, which included \$70,000 on behalf of the Campbellford Memorial Hospital Auxiliary, \$17,990 for summer students and \$19,835 for nursing education.

The Hospital pays various expenses on behalf of the Foundation, such as salaries and supplies for which it is reimbursed by the Foundation. At year-end, the receivable for these expenses amounted to \$27,840 (2012 - \$33,788).

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

18. RELATED ENTITIES (Cont'd)

The Hospital has a receivable from the Foundation for capital expenditures of \$70,000 current plus \$462,000 as described in Note 6 (2012 - \$688,387).

(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 \$73,656 and rental income of \$73,656 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 \$75,000 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 \$72,540.

(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 \$16,373 to the Health Centre, for which it is reimbursed. At the year-end, there was a receivable from the Health Centre of \$2,852.

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. During the year the auxiliary transferred \$70,000 to the Campbellford Memorial Hospital Foundation who transferred the funds to the hospital to purchase equipment.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

19. 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.

(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 \$26,600 per year. At the end of the agreement, the Hospital may buy out the equipment for the residual value, renegotiate the agreement or return the equipment. The agreement will be extended until March 31, 2014.

(c) Copier Lease

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

(d) Software License Agreement

Campbellford Memorial Hospital 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 \$8,032 per annum.

The Hospital has a system support agreement with Peterborough Regional Health Centre to host the support of the software licenses at an annual cost of \$82,973.

(e) Computer Equipment Lease

On July 2, 2010, the Hospital signed a 3 year computer equipment lease agreement requiring quarterly payments of \$7,559. The hospital has committed to purchase this equipment at the end of this lease at a cost of \$20,000.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

19. COMMITMENTS (Cont'd)

(f) Medical Equipment Lease

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

(g) Equipment Service Agreements

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

- 1) Steris Canada Inc. - \$25,384 per annum.
- 2) Cardinal Health - \$6,688 per annum to Jan 2014.
- 3) Sysmex Service. - \$11,997 per annum to Aug 2017, commencing Aug 2013.
- 4) Canadian Medical Equipment Protection Plan - \$109,694 per annum to March 2014.
- 5) Cardinal Health - \$5,428 per annum to May 2014.
- 6) Bracco Diagnostics Canada Inc. - \$3,300 to \$3,700 per annum to January 2016.
- 7) Philips Healthcare - \$159,960 per annum to February 2016.
- 8) Philips Healthcare - \$8,332 per annum to June 2015.
- 9) Siemens Service agreement \$2,657 per annum to Feb 2014.

(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.

20. 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, 2013, the Hospital's portion of the plan was in a surplus position of approximately \$171,300, which is included in prepaid expenses and deposits.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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, 2013 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 9 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.

**CAMPBELLFORD MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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.

22. 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 over its history to March 31, 2013 of (\$1,717,228) (2012-(\$1,456,077)) 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, 2013, 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, 2013, the Hospital was in compliance with all restrictions applicable to these funding sources.

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