

**CAMPBELLFORD MEMORIAL HOSPITAL  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2018**

**CAMPBELLFORD MEMORIAL HOSPITAL  
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AS AT MARCH 31, 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Campbellford Memorial Hospital

**Report on the Financial Statements**

We have audited the accompanying financial statements of Campbellford Memorial Hospital, which comprise the statement of financial position as at March 31, 2018 and the statements of changes in net assets (deficiency), operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Campbellford Memorial Hospital as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

*Wilkinson & Company LLP*

TRENTON, Canada  
May 29, 2018

Chartered Professional Accountants  
Licensed Public Accountants

**CAMPBELLFORD MEMORIAL HOSPITAL**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018**

	2018	Restated Note 19 2017
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	608,235	2,575
Accounts receivable - Note 2	1,439,869	968,323
Inventories - Note 3	212,605	213,945
Prepaid expenses and deposits	261,323	296,815
	2,522,032	1,481,658
<b>LONG-TERM</b>		
Long-term receivable - Note 4	112,000	182,000
<b>TANGIBLE CAPITAL ASSETS - Note 5</b>	<b>7,109,734</b>	<b>6,696,906</b>
	<b>9,743,766</b>	<b>8,360,564</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Short-term borrowings	-	302,990
Accounts payable and accrued liabilities - Note 6	4,628,233	3,507,835
Government remittance payable	193,294	9,858
Current portion of long-term debt - Note 7	287,890	455,304
	5,109,417	4,275,987
<b>LONG-TERM DEBT - Note 7</b>	<b>840,799</b>	<b>845,731</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS - Note 8</b>	<b>5,058,613</b>	<b>4,604,280</b>
<b>FUTURE EMPLOYEE BENEFITS - Note 10</b>	<b>1,262,300</b>	<b>1,324,400</b>
	<b>12,271,129</b>	<b>11,050,398</b>
<b>NET DEFICIT</b>		
Invested in capital assets - Note 9	922,432	791,591
Unrestricted	(3,449,795)	(3,481,425)
	(2,527,363)	(2,689,834)
	<b>9,743,766</b>	<b>8,360,564</b>

**COMMITMENTS - Note 15**

**CONTINGENCY - Note 16**

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)  
FOR THE YEAR ENDED MARCH 31, 2018**

	<b>Invested in Tangible Capital Assets \$</b>	<b>Unrestricted \$</b>	<b>2018 \$</b>	<b>2017 \$</b>
Net assets (deficiency) - Beginning of year	791,591	(2,806,981)	(2,015,390)	(2,018,938)
Prior period restatement - Note 19	-	(674,444)	(674,444)	(391,454)
Net assets (deficiency) as restated	791,591	(3,481,425)	(2,689,834)	(2,410,392)
Excess of revenue over expenses (expenses over revenue) - Note 9	(272,347)	434,818	162,471	(279,442)
Net investment in tangible capital assets for the year - Note 9	403,188	(403,188)	-	-
Net assets (deficiency) - End of year	922,432	(3,449,795)	(2,527,363)	(2,689,834)

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2018**

	<b>2018</b>	Restated Note 19 2017
	\$	\$
<b>REVENUES</b>		
Ministry of Health and Long-Term Care and Local Health Integration Network		
Global funding	14,149,230	13,888,761
Physician transfer funding	2,057,689	2,107,239
Indirect funding	47,830	77,552
One-time operating funding - Note 12	1,698,590	890,620
	17,953,339	16,964,172
Patient revenue	1,803,240	1,645,143
Other revenue	1,255,378	1,031,541
Amortization of deferred capital contributions - Note 8	609,854	609,984
	21,621,811	20,250,840
<b>DIRECT EXPENSES</b>		
Salaries and wages	12,773,525	12,106,208
Post employee benefits (recovery)	(62,100)	(49,400)
Physician transfer payments and medical staff	3,114,973	2,983,285
Supplies	1,506,360	1,452,866
Medical and surgical supplies	631,247	513,716
Drugs and Medical Gases	279,730	240,479
Sundry	1,504,711	1,527,071
Equipment expenses	832,376	842,197
Amortization of tangible capital assets - equipment - Note 5	617,198	648,545
	21,198,020	20,264,967
<b>EXCESS OF REVENUE OVER DIRECT EXPENSES (DIRECT EXPENSES OVER REVENUE)</b>	<b>423,791</b>	<b>(14,127)</b>
<b>SEPARATELY FUNDED PROGRAMS - Note 13</b>	<b>-</b>	<b>-</b>
<b>OTHER</b>		
Amortization of building and service equipment capital contributions - Note 8	318,418	315,704
Amortization of building and service equipment - Note 5	(579,738)	(581,019)
	(261,320)	(265,315)
<b>EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)</b>	<b>162,471</b>	<b>(279,442)</b>

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018**

	2018	Restated Note 19 2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Cash used in operations -		
Excess of revenue over expenses (expenses over revenue)	162,471	(279,442)
Items not involving cash -		
Amortization of tangible capital assets	1,196,936	1,229,564
Amortization of deferred capital contributions	(928,272)	(925,688)
Increase in future employee benefits obligation	(62,100)	(49,400)
Loss on disposal of tangible capital assets	3,683	-
Net change in non-cash working capital -		
Decrease (increase) in accounts receivable	(471,546)	33,135
Decrease (increase) in inventories	1,340	(17,395)
Decrease (increase) in prepaid expenses and deposits	35,492	(13,854)
Increase in accounts payable and accrued liabilities	1,120,398	101,063
Increase (decrease) in government remittances payable	183,436	(135,808)
<b>CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>1,241,838</b>	<b>(57,825)</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(302,990)	225,361
Long-term debt obligation repayments	(172,346)	(169,395)
Decrease in long-term receivable	70,000	70,000
<b>CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(405,336)</b>	<b>125,966</b>
<b>CAPITAL ACTIVITIES</b>		
Contributions received for tangible capital purchases	1,382,605	365,287
Purchase of tangible capital assets	(1,613,447)	(433,428)
<b>CASH FLOWS USED IN CAPITAL ACTIVITIES</b>	<b>(230,842)</b>	<b>(68,141)</b>
<b>NET INCREASE IN CASH FOR YEAR</b>	<b>605,660</b>	<b>-</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>2,575</b>	<b>2,575</b>
<b>CASH - END OF YEAR</b>	<b>608,235</b>	<b>2,575</b>

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

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

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

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Unrestricted contributions are recognized as revenue when received or receivable.

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

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

Patient and other revenues are recognized as services are provided.



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

**(b) Contributed Services**

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

**(c) Cash and Equivalents**

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

**(d) Inventories**

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

**(e) Related Entities**

Related entities include Campbellford Memorial Hospital Foundation, Campbellford Memorial Multicare Lodge, Campbellford Memorial Health Centre and Campbellford Memorial Hospital Auxiliary. The Hospital's relationship with each of these entities and the method by which they are accounted for is more fully described in Note 14.

**(f) Tangible Capital Assets**

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

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

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

Land improvements	10 years
Buildings	10 - 40 years
Building service equipment	10 - 25 years
Major equipment	5 - 20 years
Software licences and fees	5 years

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

**(g) Renovations**

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

**(h) Accrued Vacation Pay**

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

**(i) Leased Equipment**

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

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

**(j) Future Employee Benefits**

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

- (i) The cost of non-pension post-employment future benefits are actuarially determined using management's best estimate of health care costs and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.
- (ii) The discount rate used in the determination of the above-mentioned liabilities is equal to the Ontario provincial cost of borrowing rates recommended for hospital use.

**(k) Management Estimates**

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

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

**(l) Financial Instruments**

**(i) Measurement of Financial Instruments**

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

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

There are no financial assets measured at fair value.

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

There are no financial liabilities measured at fair value.

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

**(ii) Impairment**

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

**2. ACCOUNTS RECEIVABLE**

	<b>2018</b>	Restated Note 19 2017
	\$	\$
Campbellford Memorial Hospital Foundation - Note 14 (a)	<b>183,449</b>	69,641
Campbellford Memorial Multicare Lodge - Note 14 (b)	<b>153,210</b>	116,228
Campbellford Memorial Health Centre - Note 14 (c)	<b>(2,335)</b>	(4,108)
Campbellford Memorial Hospital Foundation - donations re capital - Notes 4 and 14 (a)	<b>70,000</b>	70,000
Other	<b>1,847,910</b>	1,391,006
Allowance for doubtful accounts	<b>(812,365)</b>	(674,444)
	<b>1,439,869</b>	968,323

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**3. INVENTORIES**

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

	2018	2017
	\$	\$
Food and dietary supplies	12,725	9,332
Drugs and medicines	71,798	66,232
Laboratory supplies	63,231	72,149
Medicine and other supplies	64,851	66,232
	<b>212,605</b>	<b>213,945</b>

**4. LONG-TERM**

	2018	2017
	\$	\$
Due from Campbellford Memorial Hospital Foundation	182,000	252,000
Less: Current portion included in current accounts receivable	70,000	70,000
	<b>112,000</b>	<b>182,000</b>

Campbellford Memorial Hospital Foundation agreed to fund the CT Scanner which was purchased in 2010. The Campbellford Memorial Hospital Foundation has guaranteed the Bankers Acceptance as described in Note 7 and is committed to repay a minimum annual principal instalment of \$70,000.

**5. TANGIBLE CAPITAL ASSETS**

	2018	2017
	\$	\$
Land	298,985	298,985
Land improvements and heliport	551,819	504,033
Buildings	10,063,428	10,030,314
Building service - equipment	5,280,302	4,317,706
Major equipment - shareable	13,082,473	12,525,637
- non-shareable	16,009	16,009
Software licences	919,585	919,585
Leasehold improvements	146,935	146,935
Total Cost	<b>30,359,536</b>	<b>28,759,204</b>
Less: Accumulated amortization	<b>23,249,802</b>	<b>22,062,298</b>
Total cost less accumulated amortization	<b>7,109,734</b>	<b>6,696,906</b>

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

Allocation of amortization	2018	2017
	\$	\$
Equipment and software amortization	<b>617,198</b>	648,545
Amortization of building and service equipment	<b>579,738</b>	581,019

**6. MINISTRY OF HEALTH PAYABLE**

	2018	2017
	\$	\$
Ministry of Health and Long-Term Care		
- Diabetes program	<b>20</b>	969
- Common Assessment Program for Community Mental Health	<b>18,374</b>	18,374
- WT Nurse Practitioner	<b>20</b>	15,707
- Ontario Telemedicine Network	<b>15,822</b>	15,822
- Nursing Graduate Guarantee Initiative	<b>37,523</b>	62,928
- Community Mental Health	<b>117,915</b>	111,903
- Cancercare Care Ontario	<b>11,280</b>	14,700
- Small Rural & Northern Hospital Transformation Fund	<b>145,733</b>	145,733
- SFH Assessments	<b>1,134</b>	1,134
- Seniors Friendly Capital Funding	<b>-</b>	6,926
- Overhead Lifts	<b>1,061</b>	1,061
- Daily Access Reporting Tool	<b>-</b>	2,000
- Enhanced Isolation Fundings	<b>5,645</b>	5,645
- Wait Time Strategy Funding	<b>127,541</b>	31,359
- Security Enhancement	<b>1,203</b>	1,203
- Palliative Care Enhancement	<b>2,593</b>	2,593
- Back Office Integration Funding	<b>13,001</b>	13,001
- Geriatric Assessment & Intervention Network	<b>179,489</b>	167,456
- SFH Environmental Initiatives	<b>170,979</b>	170,979
- Hospital Infrastructure Renewal Fund (HIRF)	<b>20</b>	211,341
- Family Meeting Room	<b>15,433</b>	15,433
- EMPI Project	<b>2,971</b>	2,971
- Supportive Housing PSS Wage Enhancement	<b>39,159</b>	31,398
- Additional ED P4 Funding	<b>25,000</b>	25,000
- Hospital On-Call Coverage (HOCC)	<b>91,067</b>	53,677
	<b>1,022,983</b>	1,129,313

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**6. MINISTRY OF HEALTH PAYABLE - (Cont'd)**

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

Government remittances payable at March 31, 2018 include federal and provincial sales tax, payroll taxes, health taxes and workers' safety insurance premiums totaled \$193,294 (2017 - \$9,858).

**7. LONG-TERM DEBT**

	2018 \$	2017 \$
Fixed rate term loan, secured as noted below, repayable in blended monthly instalments of \$1,992 including interest at a rate of 2.48% to October 2022	<b>103,456</b>	124,510
Fixed rate term loan, secured as noted below, repayable in blended monthly instalments of \$1,903 including interest at a rate of 3.71% to February 2023	<b>100,959</b>	119,758
Fixed rate term loan, secured as noted below, repayable in blended monthly instalments of \$1,534 including interest at a rate of 3.82% to November 2027	<b>148,640</b>	161,116
Fixed rate term loan, secured as noted below, repayable in blended monthly instalments of \$6,108 including interest at a rate of 3.75% to November 2022	<b>593,634</b>	643,651
Bankers acceptance, bearing acceptance fee of 0.8% per annum secured as noted below, repayable in blended monthly instalments of \$70,000 to November 2018	<b>182,000</b>	252,000
	<b>1,128,689</b>	1,301,035
Less current portion included in current liabilities	<b>287,890</b>	455,304
	<b>840,799</b>	845,731

Interest expense incurred on these loans during the year was \$35,426 (2017 - \$38,437) and is included in interest expense.

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

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

The bank overdraft bears interest at the bank prime rate.

The Hospital has an available operating line credit facility to a maximum of \$1.2 million with \$Nil advanced at March 31, 2018 which is unsecured at the lender's prime rate and is due on demand. As at year-end, management has determined that the company has met all covenants contained in the Hospital's banking agreement.

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

Interest expense incurred during the year on the operating line of credit was \$14,818 (2017 - \$15,408) and is included in interest expense.

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

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

	\$
2019	287,890
2020	109,650
2021	113,546
2022	117,583
2023	421,417
Thereafter	78,603

**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**8. DEFERRED CONTRIBUTIONS**

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

	2018		2017	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization Restated
	\$	\$	\$	\$
<b>Donations for Capital Purposes</b>				
Balance - beginning of year	7,709,818	5,660,276	7,404,017	5,060,165
Received/receivable during year Campbellford Memorial Hospital Foundation	438,520	-	305,801	-
Amortization for year - Note 1(a)	-	587,882	-	600,111
<b>Balance - End of year</b>	<b>8,148,338</b>	<b>6,248,158</b>	7,709,818	5,660,276

	2018		2017	
	Principal Amount	Accumulated Amortization	Principal Amount	Accumulated Amortization
	\$	\$	\$	\$
<b>Grants for Capital Purposes</b>				
Balance - beginning of year	7,880,329	5,325,591	7,820,843	5,000,014
Received/receivable during year Amortization for year - Note 1(a)	944,085	-	59,486	-
	-	340,390	-	325,577
<b>Balance - End of year</b>	<b>8,824,414</b>	<b>5,665,981</b>	7,880,329	5,325,591
<b>Combined Grants and Donations</b>	<b>16,972,752</b>	<b>11,914,139</b>	15,590,147	10,985,867
<b>Unamortized Balance</b>	<b>\$ 5,058,613</b>		\$ 4,604,280	

Allocation of amortization

	2018	2017
	\$	\$
Equipment Donation and Grant Amortization	609,854	609,984
Building and Service Equipment Donation and Grant Amortization	318,418	315,704



**CAMPBELLFORD MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

**9. INVESTMENT IN CAPITAL ASSETS**

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

	2018	2017
	\$	\$
Capital assets	7,109,734	6,696,906
Less amounts funded by		
Deferred contributions used for capital asset acquisition - Note 8	5,058,613	4,604,280
Long-term debt	1,128,689	1,301,035
	<b>922,432</b>	<b>791,591</b>

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

	2018	2017
	\$	\$
Deficiency of revenues over expenditures		
Amortization of deferred contributions related to capital assets	928,272	925,688
Amortization of tangible capital assets	(1,196,936)	(1,229,564)
Loss on disposal of capital assets	(3,683)	(968)
	<b>(272,347)</b>	<b>(304,844)</b>
Net change in investment in tangible capital assets		
Purchase of capital assets (net)	1,613,447	434,396
Decrease in long-term debt	172,346	169,395
Amounts funded by deferred contributions	(1,382,605)	(365,287)
	<b>403,188</b>	<b>238,504</b>
<b>CHANGE IN NET ASSETS INVESTED IN TANGIBLE CAPITAL ASSETS</b>	<b>130,841</b>	<b>66,340</b>

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**10. 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, 2018. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of

	2018 \$	2017 \$
Balance, beginning of year	1,324,400	1,373,800
Employee future benefits expense	(3,800)	8,300
Contributions by the Hospital	(58,300)	(57,700)
<b>Long-term accrued benefit liability - End of the year</b>	<b>1,262,300</b>	<b>1,324,400</b>
Reconciliation of accrued benefit obligation		
Accrued benefit obligation	688,100	674,500
Unamortized actuarial gains	574,200	649,900
<b>Long-term accrued benefit liability - End of the year</b>	<b>1,262,300</b>	<b>1,324,400</b>

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

	2018 \$	2017 \$
Current period benefit cost	34,700	38,300
Interest cost	24,200	28,000
Amortization of actuarial (gains) losses	(62,700)	(58,000)
	(3,800)	8,300
<b>Less actual payments</b>	<b>58,300</b>	<b>57,700</b>
	<b>(62,100)</b>	<b>(49,400)</b>

Discount rate for expense	3.56%
Discount rate for disclosure	3.37%
Dental benefits cost escalation	2.75%
Medical benefits cost escalation - extended health care	6.0%, decreasing 0.25% per year to an ultimate rate of 4.5%

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**11. PENSION PLAN**

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

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

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 \$863,575 (2017 - \$804,727) and are included in the statement of operations.

As of December 31, 2017, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 122% same as in 2017.

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

	<b>2018</b>	2017
	\$	\$
Nursing - new graduates	-	49,581
Wait time - pay for results	<b>125,000</b>	113,071
Cancer Care Ontario - colonoscopy funding	<b>10,052</b>	19,200
Wait time strategy - surgery funds	-	2,200
Hospital Infrastructure Renewal Fund (HIRF)	<b>1,728</b>	-
Small Rural & Northern Hospital Transformation Fund	<b>242,816</b>	205,818
CT Wait time funding	-	43,750
Year end pressure funding	<b>1,318,994</b>	457,000
	<b>1,698,590</b>	890,620

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**13. 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.

	2018	2017
	\$	\$
<b>Funding</b>		
Community Mental Health Program	765,879	735,533
GAIN Clinic	600,213	514,214
Municipal Taxes	5,625	5,625
Supportive Housing	418,647	400,359
	1,790,364	1,655,731
<b>Expenses</b>		
Community Mental Health Program	765,879	735,533
GAIN Clinic	600,213	514,214
Municipal Taxes	5,625	5,625
Supportive Housing	418,647	400,359
	1,790,364	1,655,731
Deficit absorbed by the Hospital	-	-

**14. 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.

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

During the year, the Campbellford Memorial Hospital Foundation transferred and committed \$438,520 for the purchase of equipment.

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

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

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to \$142,625 (2017 - \$69,641).

The Hospital has a receivable from the Foundation for capital expenditures of \$70,000 current plus \$112,000 as described in Note 4 (2017 - \$182,000).

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

The Campbellford Memorial Hospital leases space from the Multicare Lodge and sublets a portion of this space. By mutual agreement the Hospital pays the Multicare Lodge a rental fee equal to the rental income received from the sublet portion. Lease costs of \$94,259 and rental income of \$94,259 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 \$24,824 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 \$89,146 - Note 2.

**(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 \$72,776 to the Health Centre, for which it is reimbursed. At the year-end, there was a payable to the Health Centre of \$2,335 - Note 2.

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

**CAMPBELLFORD MEMORIAL HOSPITAL  
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**15. COMMITMENTS**

The Hospital has entered into various agreements with vendors for consulting, equipment rent and memberships with ending term dates between August 2018 to March 2019.

The Hospital has entered into various agreements with vendors for IT hardware and software services with ending term dates between August 2018 to February 2021.

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

	\$
2019	369,048
2020	180,366
2021	151,476

**16. 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, 2018, the Hospital's portion of the plan was in a surplus position of approximately \$135,411, which is included in prepaid expenses and deposits.

**17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

**Credit Risk**

Credit risk is the risk of financial loss to the Hospital if a counterparty fails to discharge an obligation. The Hospital is exposed to credit risk in the event of non-performance by patients and insurance companies in connection with its accounts receivable. There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

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

**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, 2018, all of the Hospital's long-term debt was at fixed interest rates, with the exception of advances under the bank credit facility.

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

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

**Liquidity Risk**

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

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

**18. CAPITAL MANAGEMENT**

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

**Net Assets**

As a government not-for-profit organization, the Hospital operations are reliant on revenues generated annually. The Hospital has an accumulated net assets deficiency to March 31, 2018 of \$2,527,363 (2017 - \$2,015,390) which are presented in the statement of financial position as net assets.

**Long-Term Debt**

The Hospital's capital management program also utilizes debt financing. At March 31, 2018, the Hospital was in compliance with all covenants applicable to its debt instruments.

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

**Deferred Capital Contributions**

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related tangible capital assets. At March 31, 2018, the Hospital was in compliance with all restrictions applicable to these funding sources.

The Hospital's objectives with respect to capital management are to maintain a sufficient level of capital to be able to fulfil its overall purpose, as outlined on page 6; and, to meet the requirements outlined in the Hospital Service Accountability Agreement with the Local Health Integration Network. The Hospital's Board and management will continue to work collaboratively with the Local Health Integration Network and other health care partners to find long-term solutions to these capital management challenges.

**19. PRIOR PERIOD RESTATEMENT**

During the year it was discovered that accumulated balances included in inpatient accounts receivable were expired and stale dated. As a result, a prior period adjustment was recorded that reflects an allowance for doubtful accounts as at March 31, 2017 of \$674,444. Furthermore, the net assets balance as at April 1, 2016 and April 1, 2017 decreased by \$391,454 and \$674,444 respectively. Bad debt expense included in the line item "Sundry" increased by \$282,990 and decreased overall excess of revenue over expenses in the 2017 statement of operations.