Financial Statements of

CAMPBELLFORD MEMORIAL HOSPITAL

Year ended March 31, 2020

CAMPBELLFORD MEMORIAL HOSPITAL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Campbellford Memorial Hospital

Opinion

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

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Other Matter - Comparative Information

The financial statements as at and for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 29, 2019.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 3, 2020

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 3,320,520	$ 4,082,177
Accounts receivable (note 2)	1,428,994	1,546,692
Inventories (note 3)	235,714	211,459
Prepaid expenses and deposits	365,514	380,250
	5,350,742	6,220,578
Tangible capital assets (note 4)	9,373,258	8,634,804
	$ 14,724,000	$ 14,855,382
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 4,711,982	$ 4,695,915
Government remittance payable	225,936	207,608
Deferred operating funding (note 6)	1,207,150	1,107,000
Current portion of long-term debt (note 7)	–	112,000
	6,145,068	6,122,523
Deferred operating funding (note 6)	–	980,000
Deferred capital contributions (note 8)	7,779,312	6,943,994
Future employee benefits (note 10)	1,165,500	1,208,900
Net assets (deficiency):		
Invested in capital assets (note 9)	1,593,946	1,698,468
Unrestricted deficiency	(1,959,826)	(2,098,503)
	(365,880)	(400,035)
Commitments (notes 15 and 18)		
Contingency (note 16)		
	$ 14,724,000	$ 14,855,382

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Ministry of Health and Local Health Integration Network:		
Global funding	$ 14,805,384	$ 14,565,270
Physician transfer funding	1,982,322	1,999,392
Indirect funding	–	17,250
One-time operating funding (note 12)	1,222,564	3,535,554
	18,010,270	20,117,466
Patient revenue	1,915,183	1,699,555
Other revenue	985,495	909,823
Amortization of deferred capital contributions	634,499	690,696
	21,545,447	23,417,540
Expenses:		
Salaries and wages	13,251,571	12,879,125
Post employee benefits recovery	(43,400)	(53,400)
Physician transfer payments and medical staff	3,137,964	2,994,630
Supplies	1,555,161	1,483,847
Medical and surgical supplies	510,695	609,657
Drugs and medical gases	284,894	294,299
Other supplies and expenses	1,074,465	1,274,004
Equipment expenses	849,355	838,672
Amortization of tangible capital assets	628,803	688,715
	21,249,508	21,009,549
Excess of revenue over expenses before undernoted items	295,939	2,407,991
Other income (expenses):		
Amortization of deferred contributions related to tangible capital assets	416,371	344,116
Amortization of tangible capital assets	(678,155)	(624,779)
	(261,784)	(280,663)
Separately funded programs (note 13):		
Fund type 2 revenue	1,872,785	1,885,458
Fund type 2 expenses	(1,872,785)	(1,885,458)
	–	–
Excess of revenue over expenses	$ 34,155	$ 2,127,328

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2020, with comparative information for 2019

	Invested in tangible capital assets	Unrestricted	2020 Total	2019 Total
Net assets (deficiency), beginning of year	$ 1,698,468	$ (2,098,503)	$ (400,035)	$ (2,527,363)
Excess (deficiency) of revenue over expenses (note 9)	(256,088)	290,243	34,155	2,127,328
Net investment in tangible capital assets (note 9)	151,566	(151,566)	–	–
Net assets (deficiency), end of year	$ 1,593,946	$ (1,959,826)	$ (365,880)	$ (400,035)

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 34,155	$ 2,127,328
Items not involving cash:		
Amortization of tangible capital assets	1,306,958	1,313,494
Amortization of deferred capital contributions	(1,050,870)	(1,034,812)
Decrease in employee future benefits liability	(43,400)	(53,400)
Loss on disposal of tangible capital assets	–	12,337
Net change in non-cash working capital:		
Accounts receivable	117,698	(106,823)
Inventories	(24,255)	1,146
Prepaid expenses and deposits	14,736	(118,927)
Accounts payable and accrued liabilities	16,067	187,340
Government remittances payable	18,328	14,314
Deferred operating funding	(879,850)	2,087,000
	(490,433)	4,428,997
Financing activities:		
Repayments of long-term debt	(112,000)	(1,016,689)
Decrease in long-term receivable	–	112,000
	(112,000)	(904,689)
Capital activities:		
Contributions received for tangible capital purchases	1,886,188	2,800,535
Proceeds on disposal of tangible capital assets	–	25,000
Purchase of tangible capital assets	(2,045,412)	(2,875,901)
	(159,224)	(50,366)
Net increase (decrease) in cash	(761,657)	3,473,942
Cash, beginning of year	4,082,177	608,235
Cash, end of year	$ 3,320,520	$ 4,082,177

See accompanying notes to financial statements.

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

The Hospital is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health (the "Ministry") and the Central East Local Health Integration Network ("CELHIN").

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the CELHIN with respect to the year ended March 31, 2020.

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

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

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

(b) Contributed services:

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

1. Significant accounting policies (continued):

(c) Inventories:

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

(d) Related entities:

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

(e) Tangible capital assets:

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

Asset	Term
Land improvements and heliport	10 years
Buildings	10 to 40 years
Building service equipment	10 to 25 years
Major equipment	5 to 20 years

Projects in progress are amortized when they are considered substantially complete and are ready for use by the Hospital.

(f) Leased equipment:

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

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

1. Significant accounting policies (continued):

(g) Employee future benefits:

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

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

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the remaining service period of active employees. The Hospital also accrues its obligations for post-employment benefits when an event that obligates the Hospital occurs such as parental and short-term sick leaves. The average remaining service period of active employees covered by the employee benefit plan is 15 years (2019 - 11.8 years).

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

The most recent funding of this multi-employer pension plan conducted as at December 31, 2019 disclosed actuarial assets of $94.1 billion with accrued pension liabilities of $73.5 billion. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2019 based on the assumptions and methods adopted for the valuation.

(h) Use of estimates:

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

1. Significant accounting policies (continued):

(i) Financial instruments:

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

Long-term debt is recorded at amortized cost.

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

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 on the Statement of Operations up to the impairment amount previously recognized.

(j) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2020.

2. Accounts receivable:

	2020	2019
Campbellford Memorial Hospital Foundation (note 14(a))	$ 366,506	$ 547,421
Campbellford Memorial Multicare Lodge (note 14(b))	137,580	137,580
Campbellford Memorial Hospital Foundation - donations re capital (notes 4 and 14(a))	–	112,000
Other	924,908	749,691
	1,428,994	1,546,692
Less allowance for doubtful accounts	–	–
	$ 1,428,994	$ 1,546,692

3. Inventories:

		2020		2019
Food and dietary supplies	$	16,442	$	11,179
Drugs and medicines		85,162		71,301
Laboratory supplies		76,756		63,429
Medicine and other supplies		57,354		65,550
	$	235,714	$	211,459

4. Tangible Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	$ 298,985	$ –	$ 298,985	$ 298,985
Land improvements and heliport	551,819	439,817	112,002	139,529
Buildings	10,074,810	8,606,276	1,468,534	1,788,149
Building service - equipment	8,181,011	3,299,891	4,881,120	4,116,320
Major equipment	14,282,048	12,164,172	2,117,876	2,291,821
Work-in-progress	494,741	–	494,741	–
	$ 33,883,414	$ 24,510,156	$ 9,373,258	$ 8,634,804

Cost and accumulated amortization at March 31, 2019 amounted to $31,838,002 and $23,203,198, respectively.

5. Accounts payable and accrued liabilities:

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

	2020	2019
Common assessment program for community mental health	$ 18,374	$ 18,374
Community mental health	68,743	36,787
Cancercare Care Ontario	2,010	2,010
SFH assessments	1,134	1,134
Overhead lifts	1,061	1,061
Enhanced isolation funding	5,645	5,645
Wait-time strategy funding	137,430	137,430
Security enhancement	1,203	1,203
Palliative care enhancement	2,593	2,593
Back-office integration funding	13,001	13,001
Geriatric Assessment & Intervention Network	66,835	78,841
SFH environmental initiatives	170,979	170,979
Family meeting room	15,433	15,433
EMPI project	2,971	2,971
Supportive housing	43,077	46,055
Additional ED P4 funding	6,000	25,000
Hospital On-Call Coverage (HOCC)	245,867	160,615
	$ 802,356	$ 719,132

6. Deferred operating funding:

In fiscal 2019, the Hospital received $5,000,000 from the Ministry to address financial sustainability risks. Funding of $2,913,000 was used to repay the long-term debt and provide working capital. The remaining balance of $2,087,000 was deferred, with $1,107,000 to be used in fiscal 2020, and $980,000 during fiscal 2021.

In fiscal 2020, $879,850 of this funding was recognized as revenue to offset operational costs. The unspent balance of $227,150, along with the $980,000 is expected to be utilized in fiscal 2021.

7. Long-term debt:

		2020		2019
Bankers' acceptance, bearing acceptance fee of 0.8% per annum, secured as noted below, repayable in blended instalments of $70,000 to November 2019	$	–	$	112,000
Less current portion		–		(112,000)
	$	–	$	–

Interest expense incurred on these loans during the year was $6,668 (2019 - $32,537) and is included in other supplies and expenses on the Statement of Operations.

The Hospital has an available operating line credit facility to a maximum of $1.2 million with no balance outstanding at March 31, 2020 which is unsecured at the lender's prime rate and is due on demand.

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

Interest expense incurred during the year on the operating line of credit was $Nil (2019 - $14,636) and is included in other supplies and expenses on the Statement of Operations.

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

8. Deferred capital contributions:

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

	2020 Principal amount	2020 Accumulated amortization	2019 Principal amount	2019 Accumulated amortization
Donations for capital purposes:				
Balance, beginning of year	$ 9,098,217	$ 6,893,281	$ 8,148,338	$ 6,248,158
Received/receivable during year:				
Campbellford Memorial Hospital Foundation	422,419	–	949,879	–
Amortization	–	587,063	–	645,123
Balance, end of year	9,520,636	7,480,344	9,098,217	6,893,281
Grants for capital purposes:				
Balance, beginning of year	10,794,728	6,055,670	8,824,414	5,665,981
Received/receivable during year:				
Campbellford Memorial Hospital Foundation	1,463,769	–	1,970,314	–
Amortization	–	463,807	–	389,689
Balance, end of year	12,258,497	6,519,477	10,794,728	6,055,670
Combined grants and donations	$ 21,779,133	$ 13,999,821	$ 19,892,945	$ 12,948,951
Unamortized balance	$ 7,779,312		$ 6,943,994	

Allocation of amortization:

	2020	2019
Equipment donation and grant amortization	$ 634,499	$ 690,696
Building and service equipment donation and grant amortization	416,371	344,116
	$ 1,050,870	$ 1,034,812

9. Investment in tangible capital assets:

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

	2020	2019
Tangible capital assets	$ 9,373,258	$ 8,634,804
Less amounts funded by:		
Deferred contributions used for tangible capital asset acquisition (note 8)	7,779,312	6,943,994
Unspent deferred contributions	–	(119,658)
Long-term debt	–	112,000
	$ 1,593,946	$ 1,698,468

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

	2020	2019
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 1,050,870	$ 1,034,812
Amortization of tangible capital assets	(1,306,958)	(1,313,494)
Proceeds on disposal of tangible capital assets	–	(25,000)
Loss on disposal of tangible capital assets	–	(12,337)
	(256,088)	(316,019)
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets (net)	2,045,412	2,875,901
Decrease in long-term debt	112,000	1,016,689
Amounts funded by deferred contributions	(2,005,846)	(2,800,535)
	151,566	1,092,055
	$ (104,522)	$ 776,036

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, 2020. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2020	2019
Balance, beginning of year	$ 1,208,900	$ 1,262,300
Employee future benefits expense (recovery)	17,500	(1,100)
Contributions by the Hospital	(60,900)	(52,300)
Balance, end of year	$ 1,165,500	$ 1,208,900

Reconciliation of accrued benefit liability:

	2020	2019
Accrued benefit obligation	$ 898,500	$ 710,300
Unamortized actuarial gains	267,000	498,600
	$ 1,165,500	$ 1,208,900

The employee future benefit recovery is composed of:

	2020	2019
Current period benefit cost	$ 39,500	$ 37,100
Interest cost	23,100	23,600
Amortization of actuarial gains	(60,900)	(61,800)
	1,700	(1,100)
Less actual payments	(45,100)	(52,300)
	$ (43,400)	$ (53,400)
Discount rate for expense	3.18%	3.37%
Discount rate for disclosure	3.18%	3.18%
Dental benefits cost escalation	2.75%	2.75%
Medical benefits cost escalation - extended health care	5.75%, decreasing 0.25% per year to an ultimate rate of 4.5%	6.00%, decreasing 0.25% per year to an ultimate rate of 4.5%

11. Pension plan:

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

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

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 $920,039 (2019 - $893,537) and are included in the statement of operations.

As of December 31, 2019, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 119% (2018 - 122%).

12. Ministry of Health - one-time funding:

	2020	2019
Small hospitals	$ 152,000	$ –
Wait time - pay for results	125,000	125,000
Cancer Care Ontario - colonoscopy funding	65,714	11,393
Year-end pressure funding (note 6)	879,850	3,110,500
Behavioural support	–	56,149
Hospital Infrastructure Renewal Fund (HIRF)	–	17,704
Small Rural & Northern Hospital Transformation Fund	–	214,808
	$ 1,222,564	$ 3,535,554

13. Ministry of Health - separately funding programs:

The Ministry separately funds the operating expenses of the programs listed below. The arrangement provides that any surplus arising from each program's actual operating results for the year is refundable to the Ministry in the following year. Any deficit arising from each programs' actual operating results for the year is payable by the Hospital and is included in expenses on the Statement of Operations.

	2020	2019
Funding:		
Community Mental Health Program	$ 775,351	$ 784,225
GAIN Clinic	615,947	612,208
Municipal taxes	5,625	5,625
Supportive housing	475,862	483,400
	1,872,785	1,885,458
Expenses:		
Community Mental Health Program	775,351	784,225
GAIN Clinic	615,947	612,208
Municipal taxes	5,625	5,625
Supportive housing	475,862	483,400
	1,872,785	1,885,458
Deficit absorbed by the Hospital	$ –	$ –

14. Related entities:

(a) Campbellford Memorial Hospital Foundation:

The Hospital is closely related to Campbellford Memorial Hospital Foundation (the “Foundation”) which was established to raise funds for charitable purposes in the community health care field as well as for the benefit of the Hospital. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The net assets resulting from operations of the Foundation are not included in the statements of the Hospital since the Foundation does not accumulate funds solely for the Hospital.

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

During the year, the Foundation transferred $422,419 (2019 - $949,879) for the purchase of equipment.

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to $366,506 (2019 - $547,421).

14. Related entities (continued):

(a) Campbellford Memorial Hospital Foundation (continued):

The Hospital has a receivable from the Foundation for capital expenditures of $Nil (2019 - $112,000).

(b) Transactions with Campbellford Memorial Multicare Lodge:

The Hospital leases space from the Campbellford Memorial Multicare Lodge (the “Multicare Lodge”) and sublets a portion of this space. By mutual agreement the Hospital pays the Multicare Lodge a rental fee equal to the rental income received from the sublet portion. Lease costs of $100,090 and rental income of $100,090 related to this activity are included in sundry and other revenue, respectively.

The Hospital provides various services which are billed to the Multicare Lodge and amounted to $26,290 during the year (2019 - $26,290). Also, the Hospital pays various expenses on behalf of the Multicare Lodge, such as salaries, electricity and dietary, for which it is reimbursed by the Multicare Lodge. At year-end, there was an amount receivable from the Multicare Lodge for these services of $137,580 (2019 - $137,580).

The Hospital receives funding for the Supportive Housing Program. At the year-end there was an amount payable to the Multicare Lodge of $34,626 (2019 - $139,082).

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

These are also related entities in which the Hospital has an economic interest. The Campbellford Memorial Health Centre (the “Health Centre”) provides a collegial setting intended to attract and retain medical professionals for the benefit of the community. The Hospital provides certain support services to the Health Centre, for which it is reimbursed. At year-end, there was a payable to the Health Centre of $Nil (2019 - $Nil).

The Campbellford Memorial Hospital Auxiliary (the “Auxiliary”), through the efforts of its volunteers, promotes the interests of the Hospital and raises significant funds to assist the Hospital to acquire medical equipment.

15. Commitments:

The Hospital has entered into various agreements with vendors for consulting, equipment rent and memberships with ending term dates between February 2013 and August 2024.

The Hospital has entered into various agreements with vendors for IT hardware and software services with ending term dates between March 2021 and August 2026.

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

2021	$	232,516
2022		92,316
2023		88,680
2024		62,105
2025 and thereafter		68,726

16. Contingencies:

(a) The Hospital uses Industrial Alliance to administer the Extended Health Care, stop-loss coverage, and travel and dental benefits for the Hospital's employees. Industrial Alliance provides administrative services only; therefore, the Hospital assumes the actual risk. As at March 31, 2020, the Hospital's portion of the plan was in a surplus position of approximately $144,618 (2019 - $213,618), which is included in prepaid expenses and deposits on the Statement of Financial Position.

(b) Healthcare Insurance Reciprocal of Canada:
The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on April 1, 2014. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2020.

16. Contingencies (continued):

(c) In March 2020, the COVID-19 outbreak was declared a pandemic by the world Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Hospital has experienced the following financial implications and undertaken the following activities in related to the COVID-19 pandemic.

- experienced increased costs for incremental infection controls
- COVID-19 related sick pay due to medical reasons
- closure of some revenue generating activities
- the implementation of working from home requirement for certain hospital employees

As a result of these measures, the Hospital continues to experience decreases in operating revenues and increases in operating costs in the subsequent period. The Ministry has allowed the Hospital to redirect revenue from certain funded programs towards COVID-related costs incurred during the year ended March 31, 2020, and has also committed to providing additional funding for COVID-related operating and capital costs in the subsequent period.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

17. Fair value of financial instruments:

(a) Credit risk:

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

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of allowance for doubtful accounts at March 31, 2020 is $Nil (2019 - $Nil).

There has been no significant change to the credit risk exposure from 2019.

17. Fair value of financial instruments (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. During the year, the Hospital recognized $879,850 of one-time funding to eliminate the in-year deficit (note 6).

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

There has been no significant change to the liquidity risk exposure from 2019.

(c) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through its credit facilities discussed in 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 has been no significant change to the interest rate risk exposure from 2019.

18. Implementation of Clinical Information System:

In February 2019, the Hospital signed a Memorandum of Understanding with six other partner hospitals in the region for the implementation of a Clinical Information System ("CIS"). This will be a transformational project that will span multiple years and is being undertaken in collaboration with other hospitals in the CELHIN. Following a Request for Proposal, a preferred vendor was selected and a contract signed. The project is expected to be implemented in the fall of 2021. The current estimated cost of the project to the Hospital for capital and operating costs over a 10-year period are $6 million. These costs will be funded through contributions from the Foundation, the Auxiliary, as well as financing options that have not yet been finalized.

19. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.