

Financial Statements of

**CAMPBELLFORD MEMORIAL
HOSPITAL**

Year ended March 31, 2021

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, 2021
- 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, 2021, 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 ethical responsibilities in accordance with these requirements.

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 8, 2021

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 1,622,653	\$ 3,320,520
Accounts receivable (note 2)	2,426,516	1,428,994
Inventories (note 3)	206,853	235,714
Prepaid expenses and deposits	510,000	365,514
	<u>4,766,022</u>	<u>5,350,742</u>
Tangible capital assets (note 4)	10,109,780	9,373,258
	<u>\$ 14,875,802</u>	<u>\$ 14,724,000</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 4,323,053	\$ 4,711,982
Government remittance payable	298,789	225,936
Deferred operating funding (note 6)	505,150	1,207,150
	<u>5,126,992</u>	<u>6,145,068</u>
Deferred capital contributions (note 8)	8,291,127	7,779,312
Future employee benefits (note 10)	1,108,400	1,165,500
Net assets (deficiency):		
Invested in capital assets (note 9)	1,818,653	1,593,946
Unrestricted deficiency	(1,469,370)	(1,959,826)
	<u>349,283</u>	<u>(365,880)</u>
Commitments (notes 15 and 18)		
Contingencies (note 16)		
	<u>\$ 14,875,802</u>	<u>\$ 14,724,000</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Ministry of Health:		
Global funding (note 19)	\$ 17,499,271	\$ 14,805,384
Physician transfer funding	2,272,428	1,982,322
One-time operating funding (note 12)	1,866,605	1,222,564
	<u>21,638,304</u>	<u>18,010,270</u>
Patient revenue	1,954,369	1,915,183
Other revenue	783,285	985,495
Amortization of deferred capital contributions	523,451	634,499
	<u>24,899,409</u>	<u>21,545,447</u>
Expenses:		
Salaries and wages	15,593,341	13,251,571
Post employee benefits recovery	(57,100)	(43,400)
Physician transfer payments and medical staff	3,592,630	3,137,964
Supplies	1,584,003	1,555,161
Medical and surgical supplies	473,714	510,695
Drugs and medical gases	313,970	284,894
Other supplies and expenses	1,654,308	1,074,465
Equipment expenses	949,366	849,355
Amortization of tangible capital assets	534,331	628,803
	<u>24,638,563</u>	<u>21,249,508</u>
Excess of revenue over expenses from hospital operations	260,846	295,939
Other income (expenses):		
Amortization of deferred contributions related to tangible capital assets	413,656	416,371
Amortization of tangible capital assets	(674,239)	(678,155)
	<u>(260,583)</u>	<u>(261,784)</u>
Separately funded programs (note 13):		
Fund type 2 revenue	1,911,678	1,872,785
Fund type 2 expenses	(1,911,678)	(1,872,785)
	<u>—</u>	<u>—</u>
Excess of revenue over expenses before the undernoted	263	34,155
Working capital funds (note 20)	714,900	—
Excess of revenue over expenses	<u>\$ 715,163</u>	<u>\$ 34,155</u>

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2021, with comparative information for 2020

	Invested in tangible capital assets	Unrestricted	2021 Total	2020 Total
Net assets (deficiency), beginning of year	\$ 1,593,946	\$ (1,959,826)	\$ (365,880)	\$ (400,035)
Excess (deficiency) of revenue over expenses (note 9)	(271,463)	986,626	715,163	34,155
Net investment in tangible capital assets (note 9)	496,170	(496,170)	—	—
Net assets (deficiency), end of year	\$ 1,818,653	\$ (1,469,370)	\$ 349,283	\$ (365,880)

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 715,163	\$ 34,155
Items not involving cash:		
Amortization of tangible capital assets	1,208,570	1,306,958
Amortization of deferred capital contributions	(937,107)	(1,050,870)
Decrease in employee future benefits liability	(57,100)	(43,400)
Net change in non-cash working capital:		
Accounts receivable	(997,522)	117,698
Inventories	28,861	(24,255)
Prepaid expenses and deposits	(144,486)	14,736
Accounts payable and accrued liabilities	(388,929)	16,067
Government remittances payable	72,853	18,328
Deferred operating funding	(702,000)	(879,850)
	(1,201,697)	(490,433)
Financing activities:		
Repayments of long-term debt	—	(112,000)
Capital activities:		
Contributions received for tangible capital purchases	1,448,922	1,886,188
Purchase of tangible capital assets	(1,945,092)	(2,045,412)
	(496,170)	(159,224)
Net decrease in cash	(1,697,867)	(761,657)
Cash, beginning of year	3,320,520	4,082,177
Cash, end of year	\$ 1,622,653	\$ 3,320,520

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2021

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

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

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2021.

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

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

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

(b) Contributed services:

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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 (2020 – 15 years).

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

The most recent funding of this multi-employer pension plan conducted as at December 31, 2020 disclosed actuarial assets of \$104 million with accrued pension liabilities of \$79.9 million, resulting in a surplus of \$24.1 million. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2020 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.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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, 2021.

2. Accounts receivable:

	2021	2020
Campbellford Memorial Hospital Foundation (note 14(a))	\$ 41,349	\$ 366,506
Campbellford Memorial Multicare Lodge (note 14(b))	127,915	137,580
Ministry of Health	1,634,032	110,331
Other	623,220	814,577
	2,426,516	1,428,994
Less allowance for doubtful accounts	—	—
	\$ 2,426,516	\$ 1,428,994

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Inventories:

	2021	2020
Food and dietary supplies	\$ 15,627	\$ 16,442
Drugs and medicines	36,095	85,162
Laboratory supplies	93,176	76,756
Medicine and other supplies	61,955	57,354
	\$ 206,853	\$ 235,714

4. Tangible capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 298,985	\$ —	\$ 298,985	\$ 298,985
Land improvements and heliport	551,819	467,344	84,475	112,002
Buildings	10,234,052	8,872,777	1,361,275	1,468,534
Building service - equipment	8,201,920	3,680,175	4,521,745	4,881,120
Major equipment	15,015,008	12,611,447	2,403,561	2,117,876
Work-in-progress (note 18)	1,439,739	—	1,439,739	494,741
	\$ 35,741,523	\$ 25,631,743	\$ 10,109,780	\$ 9,373,258

Cost and accumulated amortization at March 31, 2020 amounted to \$33,883,414 and \$24,510,156, respectively.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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:

	2021	2020
Behavioural supports Ontario	\$ 9,760	\$ –
Common assessment program for community mental health	18,374	18,374
Community mental health	150,244	68,743
Cancercare Care Ontario	3,607	2,010
SFH assessments	–	1,134
Overhead lifts	–	1,061
Enhanced isolation funding	–	5,645
Wait-time strategy funding	137,430	137,430
Security enhancement	–	1,203
Palliative care enhancement	–	2,593
Back-office integration funding	28,272	13,001
Geriatric Assessment & Intervention Network	21,872	66,835
SFH environmental initiatives	170,979	170,979
Family meeting room	–	15,433
EMPI project	–	2,971
Supportive housing	59,402	43,077
Additional ED P4 funding	–	6,000
Emergency department AFA	78,500	–
Hospital On-Call Coverage (HOCC)	249,681	245,867
	<u>\$ 928,121</u>	<u>\$ 802,356</u>

6. Deferred operating funding:

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

In fiscal 2021, \$702,000 (2020 - \$879,850) of this funding was recognized as revenue to offset operational costs. The unspent balance of \$505,150 (2020 - \$1,207,150) is expected to be utilized in fiscal 2022.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Credit facilities:

The Hospital has an available operating line credit facility to a maximum of \$1.2 million with no balance outstanding at March 31, 2021 (2020 - \$Nil) which is unsecured at the lender's prime rate and is due on demand.

Interest expense incurred during the year on the operating line of credit was \$Nil (2020 - \$Nil) 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.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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:

	2021		2020	
	Principal amount	Accumulated amortization	Principal amount	Accumulated amortization
Donations for capital purposes:				
Balance, beginning of year	\$ 9,520,636	\$ 7,480,344	\$ 9,098,217	\$ 6,893,281
Received/receivable during year:				
Campbellford Memorial Hospital Foundation	521,387	–	422,419	–
Amortization	–	444,085	–	587,063
Balance, end of year	10,042,023	7,924,429	9,520,636	7,480,344
Grants for capital purposes:				
Balance, beginning of year	12,258,497	6,519,477	10,794,728	6,055,670
Received/receivable during year:				
Ministry of Health	927,535	–	1,463,769	–
Amortization	–	493,022	–	463,807
Balance, end of year	13,186,032	7,012,499	12,258,497	6,519,477
Combined grants and donations	\$ 23,228,055	\$ 14,936,928	\$ 21,779,133	\$ 13,999,821
Unamortized balance	\$ 8,291,127		\$ 7,779,312	

Allocation of amortization:

	2021	2020
Equipment donation and grant amortization	\$ 523,451	\$ 634,499
Building and service equipment donation and grant amortization	413,656	416,371
	\$ 937,107	\$ 1,050,870

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Investment in tangible capital assets:

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

	2021	2020
Tangible capital assets	\$ 10,109,780	\$ 9,373,258
Less amounts funded by:		
Deferred contributions used for tangible capital asset acquisition (note 8)	8,291,127	7,779,312
	\$ 1,818,653	\$ 1,593,946

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

	2021	2020
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 937,107	\$ 1,050,870
Amortization of tangible capital assets	(1,208,570)	(1,306,958)
	(271,463)	(256,088)
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets (net)	1,945,092	2,045,412
Decrease in long-term debt	—	112,000
Amounts funded by deferred contributions	(1,448,922)	(2,005,846)
	496,170	151,566
	\$ 224,707	\$ (104,522)

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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:

	2021	2020
Balance, beginning of year	\$ 1,165,500	\$ 1,208,900
Employee future benefits expense (recovery)	(7,600)	17,500
Contributions by the Hospital	(49,500)	(60,900)
Balance, end of year	\$ 1,108,400	\$ 1,165,500

Reconciliation of accrued benefit liability:

	2021	2020
Accrued benefit obligation	\$ 898,000	\$ 727,800
Unamortized actuarial gains	210,400	437,700
	\$ 1,108,400	\$ 1,165,500

The employee future benefit recovery is composed of:

	2021	2020
Current period benefit cost	\$ 46,800	\$ 39,500
Interest cost	29,700	23,100
Amortization of actuarial gains	(49,500)	(60,900)
	27,000	1,700
Less actual payments	(49,500)	(45,100)
	\$ (22,500)	\$ (43,400)
Discount rate for expense	3.29%	3.18%
Discount rate for disclosure	3.21%	3.18%
Dental benefits cost escalation	3.00%	2.75%
Medical benefits cost escalation - extended health care	5.37%, decreasing 0.13% per year to an ultimate rate of 3.57%	6.00%, decreasing 0.25% per year to an ultimate rate of 4.5%

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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.

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 \$1,064,212 (2020 - \$920,039) and are included in the Statement of Operations.

As of December 31, 2020, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 119% (2019 - 119%).

12. Ministry of Health - one-time funding:

	2021	2020
Small hospitals	\$ 706,646	\$ 152,000
Year-end pressure funding (note 6)	702,000	879,850
COVID-19 lost revenue (note 19)	164,400	–
Wait time - pay for results	125,000	125,000
Physician assistance funding	71,336	–
Wait time – CT	53,000	–
Nursing graduate funding	44,223	–
Cancer Care Ontario - colonoscopy funding	–	65,714
	<u>\$ 1,866,605</u>	<u>\$ 1,222,564</u>

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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.

	2021	2020
Funding:		
Community Mental Health Program	\$ 832,400	\$ 775,351
GAIN Clinic	594,747	615,947
Municipal taxes	5,625	5,625
Supportive housing	478,906	475,862
	<u>1,911,678</u>	<u>1,872,785</u>
Expenses:		
Community Mental Health Program	832,400	775,351
GAIN Clinic	594,747	615,947
Municipal taxes	5,625	5,625
Supportive housing	478,906	475,862
	<u>1,911,678</u>	<u>1,872,785</u>
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 \$521,387 (2020 - \$422,419) for the purchase of equipment.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Related entities (continued):

(a) Campbellford Memorial Hospital Foundation (continued):

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to \$41,349 (2020 - \$366,506).

(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 \$26,920 during the year (2020 - \$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 \$127,915 (2020 - \$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 \$40,325 (2020 - \$34,626).

(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 (2020 - \$Nil).

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

15. Commitments:

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

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

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

2022	\$	92,316
2023		88,860
2024		62,105
2025		35,615
2026 and thereafter		33,112

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 risk. As at March 31, 2021, the Hospital's portion of the plan was in a surplus position of approximately \$259,370 (2020 - \$144,618), 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, 2021.

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, 2021.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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, 2021 is the carrying value of these assets.

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

There has been no significant change to the credit risk exposure from 2020.

(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 \$700,000 (2020 - \$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 2020, with the exception of working capital funds received (note 20).

(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 2020.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

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.

Costs incurred as at March 31, 2021 related to this project amount to \$1,439,739 (2020 - \$494,741) and are included in work-in-progress.

19. Ministry of Health pandemic funding:

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

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

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

19. Ministry of Health pandemic funding (continued):

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

Funding for incremental COVID-19 operating expenses	\$ 1,800,800
Funding for COVID-19 assessment centre	97,714
Funding for pandemic pay	372,095
Funding for temporary wage enhancement	579
Funding for temporary physician funding	56,183
Funding for revenue losses resulting from COVID-19	164,400
Broad-based funding reconciliation for other eligible costs and revenue losses	109,836
	<hr/>
	\$ 2,601,607

In addition to the above, the Hospital has also recognized \$273,402 in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

20. Ministry of Health working capital funds:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the Ministry has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the Ministry. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

21. COVID-19 impacts:

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2021

21. COVID-19 impacts (continued):

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.