

Financial Statements of

**CAMPBELLFORD
MEMORIAL HOSPITAL**

Year ended March 31, 2024

CAMPBELLFORD MEMORIAL HOSPITAL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Campbellford Memorial Hospital

Opinion

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

- the statement of financial position as at March 31, 2024
- 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, 2024, and its results of operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the start of the 'K' to the end of the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 24, 2024

CAMPBELLFORD MEMORIAL HOSPITAL

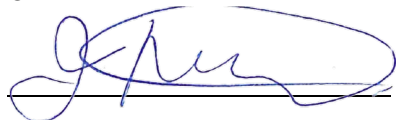
Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ —	\$ 5,159,686
Accounts receivable (note 3)	5,331,457	1,676,816
Inventories (note 4)	304,075	239,675
Prepaid expenses and deposits	609,439	533,299
	<u>6,244,971</u>	<u>7,609,476</u>
Tangible capital assets (note 5)	16,247,967	13,002,967
	<u>\$ 22,492,938</u>	<u>\$ 20,612,443</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Bank indebtedness (note 7)	\$ 233,913	\$ —
Accounts payable and accrued liabilities (notes 6 and 15(b))	4,527,903	4,227,832
Term loan (note 7)	150,000	1,700,000
Government remittances payable	378,558	343,435
Current portion of long-term debt (note 8)	286,318	279,859
	<u>5,576,692</u>	<u>6,551,126</u>
Asset retirement obligation (note 9)	1,026,000	876,837
Deferred capital contributions (note 10)	17,002,104	12,479,467
Future employee benefits (note 12)	984,500	974,900
Long-term debt (note 8)	1,550,787	1,820,141
Net assets (deficiency):		
Invested in capital assets (note 11)	440,416	2,063,359
Unrestricted deficiency	(4,087,561)	(4,153,387)
	<u>(3,647,145)</u>	<u>(2,090,028)</u>
Commitments (note 16)		
Contingencies (note 17)		
	<u>\$ 22,492,938</u>	<u>\$ 20,612,443</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Ontario Health/Ministry of Health:		
Global funding	\$ 18,458,325	\$ 18,495,328
Physician transfer funding	2,784,994	2,151,213
One-time operating funding	6,417,549	2,650,364
	<u>27,660,868</u>	<u>23,296,905</u>
Patient revenue	2,356,780	1,978,232
Other revenue	1,202,027	1,393,130
Amortization of deferred capital contributions - equipment	704,272	581,945
	<u>31,923,947</u>	<u>27,250,212</u>
Expenses:		
Salaries and wages	20,583,254	16,708,652
Post employee benefits (recovery)	9,600	(66,100)
Physician transfer payments and medical staff	4,641,703	4,453,359
Supplies	2,069,351	2,067,958
Medical and surgical supplies	653,055	577,022
Drugs and medical gases	415,904	329,821
Other supplies and expenses	1,816,197	1,309,212
Equipment expenses	1,821,282	1,592,515
Amortization of tangible capital assets - equipment	1,226,369	1,042,164
	<u>33,236,715</u>	<u>28,014,603</u>
Excess of expenses over revenue from hospital operations	(1,312,768)	(764,391)
Other income (expenses):		
Amortization of deferred capital contributions - building and service equipment	524,185	495,091
Amortization of tangible capital assets - building and service equipment	(768,534)	(680,574)
	<u>(244,349)</u>	<u>(185,483)</u>
Separately funded programs (note 14):		
Fund type 2 revenue	2,368,346	1,819,018
Fund type 2 expenses	(2,368,346)	(1,819,018)
	<u>-</u>	<u>-</u>
Excess of expenses over revenue	<u>\$ (1,557,117)</u>	<u>\$ (949,874)</u>

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2024, with comparative information for 2023

	Invested in tangible capital assets (note 11)	Unrestricted	2024 Total	2023 Total
Net assets (deficiency), beginning of year:	\$ 2,063,359	\$ (4,153,387)	\$ (2,090,028)	\$ (1,140,154)
Excess of expenses over revenue	(766,446)	(790,671)	(1,557,117)	(949,874)
Investment in tangible capital assets	(856,497)	856,497	—	—
Net assets (deficiency), end of year	\$ 440,416	\$ (4,087,561)	\$ (3,647,145)	\$ (2,090,028)

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used for):		
Operating activities:		
Excess of expenses over revenue	\$ (1,557,117)	\$ (949,874)
Items not involving cash:		
Amortization of tangible capital assets	1,994,903	1,722,738
Amortization of deferred capital contributions	(1,228,457)	(1,077,036)
Decrease in employee future benefits liability	9,600	(66,100)
Increase in asset retirement obligation	149,163	—
Net change in non-cash working capital:		
Accounts receivable	(3,654,641)	1,926,962
Inventories	(64,400)	(31,812)
Prepaid expenses and deposits	(76,140)	39,481
Accounts payable and accrued liabilities	300,071	(1,923,342)
Government remittances payable	35,123	106,721
	(4,091,895)	(252,262)
Financing activities:		
Increase (decrease) in long-term debt	(262,895)	2,100,000
Increase (decrease) in term loan	(1,550,000)	800,000
	(1,812,895)	2,900,000
Capital activities:		
Contributions received for tangible capital asset purchases	5,751,094	4,368,927
Purchase of tangible capital assets	(5,239,903)	(3,566,193)
	511,191	802,734
Increase (decrease) in cash	(5,393,599)	3,450,472
Cash, beginning of year	5,159,686	1,709,214
Cash (bank indebtedness), end of year	\$ (233,913)	\$ 5,159,686

See accompanying notes to financial statements.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2024

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 Ontario Health and 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:

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, 2024.

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.

Revenue from patients and other income is recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

(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, 2024

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 15.

(e) Tangible capital assets:

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

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

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

(f) Leased equipment:

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

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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 18 years (2023 - 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 regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2023 disclosed actuarial assets of \$112 billion (2022 - \$104 billion) with accrued pension liabilities of \$102 billion (2022 - \$93 billion), resulting in a surplus of \$10 million (2022 - \$11 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2023 based on the assumptions and methods adopted for the valuation.

(h) Use of estimates:

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(i) Financial instruments:

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

Long-term debt is recorded at amortized cost.

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

(j) Statement of 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, 2024 or 2023.

(k) Asset retirement obligations:

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

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

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

2. Change in accounting policy:

The Hospital adopted the following accounting standards applicable for fiscal years beginning April 1, 2023:

- PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Change in accounting policy (continued):

- PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact on the financial statements of the Hospital as a result of the adoption of these standards.

3. Accounts receivable:

	2024	2023
Campbellford Memorial Hospital Foundation (note 15(a))	\$ 23,821	\$ 113,180
Campbellford Memorial Multicare Lodge (note 15(b))	74,233	75,392
Ontario Health/Ministry of Health	4,343,989	744,329
Other	889,414	743,915
	5,331,457	1,676,816
Less allowance for impairment	–	–
	\$ 5,331,457	\$ 1,676,816

4. Inventories:

	2024	2023
Food and dietary supplies	\$ 12,183	\$ 14,883
Drugs and medicines	116,646	80,507
Laboratory supplies	97,823	74,030
Medicine and other supplies	77,423	70,255
	\$ 304,075	\$ 239,675

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

5. Tangible capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 298,985	\$ –	\$ 298,985	\$ 298,985
Land improvements and heliport	551,819	549,925	1,894	29,421
Buildings, including asset retirement costs	11,110,889	10,553,710	557,179	825,211
Building service equipment	14,539,511	4,919,875	9,619,636	3,650,464
Major equipment	17,667,070	14,868,762	2,798,308	2,683,422
Software and licensing costs	3,166,409	634,113	2,532,296	2,706,406
Work-in-progress	439,669	–	439,669	2,809,058
	\$ 47,774,352	\$ 31,526,385	\$ 16,247,967	\$ 13,002,967

Cost and accumulated amortization at March 31, 2023 amounted to \$42,534,449 and \$29,531,482, respectively.

Management has reviewed for full and partial impairment at March 31, 2024 and determined there is none (2023 - none).

6. Accounts payable and accrued liabilities:

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

	2024	2023
SFH environmental initiatives	\$ 172,216	\$ 87,415
Temporary summer locum program	146,654	–
Cash advance	455,796	–
Geriatric Assessment & Intervention Network	68,565	31,256
Community mental health	47,183	–
Back-office integration funding	28,272	60,403
Hospital On-Call Coverage (HOCC)	22,383	–
Behavioural supports Ontario	–	147,770
Supportive housing	–	12,211
	\$ 941,069	\$ 339,055

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Credit facilities:

The Hospital has an available \$200,000 revolving lease line of credit with Nil balance outstanding at the end of the year (2023 - \$Nil). This facility is secured by the underlying leased asset, non-interest bearing and repayable in accordance with the terms of the lease agreement.

The Hospital has an available operating line of credit facility to a maximum of \$1.5 million with \$233,913 outstanding at March 31, 2024 (2023 - \$Nil) which is unsecured at the lender's prime rate and is due on demand.

The Hospital has a non-revolving fixed rate term facility to a maximum of \$2,500,000, with \$150,000 outstanding at March 31, 2024 (2023 - \$1,700,000) which is unsecured at the lender's prime rate less 0.25% and is due on demand.

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

Interest expense incurred during the year on the revolving lease line of credit, operating line of credit and the fixed rate term facility was \$Nil (2023 - \$Nil), \$Nil (2023 - \$Nil) and \$57,461 (2023 - \$68,908), respectively and is included in other supplies and expenses on the Statement of Operations.

8. Long-term debt:

	2024	2023
Ontario Financing Authority, maturing March 2030	\$ 1,837,105	\$ 2,100,000
Less: current portion of long-term debt	(286,318)	(279,859)
Non-current portion	\$ 1,550,787	\$ 1,820,141

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

Interest on long-term liabilities in the amount of \$45,046 (2023 - \$Nil) is included in other supplies and expenses on the Statement of Operations.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Long-term debt (continued):

The minimum scheduled principal repayments are as follows:

2025	\$	286,318
2026		292,927
2027		299,688
2028		306,605
2029		313,681
2030		337,886
	\$	1,837,105

9. Asset retirement obligations:

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

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

	2024	2023
Balance, beginning of year	\$ 876,837	\$ 876,837
Add: inflationary adjustment	149,163	—
Less: obligations settled	—	—
Balance, end of year	\$ 1,026,000	\$ 876,837

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. 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:

	2024		2023	
	Principal amount	Accumulated amortization	Principal amount	Accumulated amortization
Donations for capital purposes:				
Balance, beginning of year	\$ 11,722,286	\$ 8,826,623	\$ 10,708,461	\$ 8,373,154
Received/receivable during year:				
Campbellford Memorial Hospital Foundation	628,224	–	1,013,825	–
Amortization	–	557,187	–	453,469
Balance, end of year	12,350,510	9,383,810	11,722,286	8,826,623
Grants for capital purposes:				
Balance, beginning of year	17,702,437	8,118,633	14,347,335	7,495,066
Received/receivable during year:				
Ministry of Health	5,122,870	–	3,355,102	–
Amortization	–	671,270	–	623,567
Balance, end of year	22,825,307	8,789,903	17,702,437	8,118,633
Combined grants and donations	\$ 35,175,817	\$ 18,173,713	\$ 29,424,723	\$ 16,945,256
Unamortized balance	\$ 17,002,104		\$ 12,479,467	

Allocation of amortization:

	2024	2023
Equipment	\$ 704,272	\$ 581,945
Building and service equipment	524,185	495,091
	\$ 1,228,457	\$ 1,077,036

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Deferred capital contributions (continued):

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

	2024	2023
Unamortized contributions used to purchase capital assets	\$ 13,970,446	\$ 8,839,608
Unspent contributions	3,031,658	3,639,859
	<u>\$ 17,002,104</u>	<u>\$ 12,479,467</u>

11. Investment in tangible capital assets:

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

	2024	2023
Tangible capital assets	\$ 16,247,967	\$ 13,002,967
Less amounts funded by:		
Deferred contributions used for tangible capital asset acquisition (note 10)	13,970,446	8,839,608
Long-term debt	1,837,105	2,100,000
	<u>\$ 440,416</u>	<u>\$ 2,063,359</u>

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

	2024	2023
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 1,228,457	\$ 1,077,036
Amortization of tangible capital assets	(1,994,903)	(1,722,738)
	<u>(766,446)</u>	<u>(645,702)</u>
Net change in investment in tangible capital assets:		
Purchase of tangible capital assets	5,239,903	3,566,193
Increase in term loan for capital assets	—	900,000
Repayment of long-term debt	262,895	(2,100,000)
Amounts funded by deferred contributions	(6,359,295)	(729,068)
	<u>(856,497)</u>	<u>1,637,125</u>
	<u>\$ (1,622,943)</u>	<u>\$ 991,423</u>

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

12. 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, 2024. The next actuarial valuation will be completed at March 31, 2028. The related benefit liability was determined by an independent actuary on behalf of the Hospital. The accrued benefit liability is comprised of:

	2024	2023
Balance, beginning of year	\$ 974,900	\$ 1,041,000
Employee future benefits expense	58,700	32,000
Contributions by the Hospital	(49,100)	(98,100)
Balance, end of year	\$ 984,500	\$ 974,900

Reconciliation of accrued benefit liability:

	2024	2023
Accrued benefit obligation	\$ 1,453,100	\$ 796,400
Unamortized actuarial gains (losses)	(468,600)	178,500
	\$ 984,500	\$ 974,900

The employee future benefit recovery is composed of:

	2024	2023
Current period benefit cost	\$ 113,300	\$ 46,000
Interest cost	58,700	32,000
Amortization of actuarial gains	(17,900)	(52,800)
	154,100	25,200
Less actual payments	(144,500)	(91,300)
	\$ 9,600	\$ (66,100)
Discount rate for expense	4.04%	3.89%
Discount rate for disclosure	3.95%	4.04%
Dental benefits cost escalation	5.00%	3.00%
Medical benefits cost escalation - extended health care	5.60%, decreasing by 0.17% per year to an ultimate rate of 3.57%	5.37%, decreasing by 0.13% per year to an ultimate rate of 3.57%

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

13. 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 \$1,068,706 (2023 - \$934,722) and are included in the Statement of Operations.

As of December 31, 2023, the HOOPP is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 115%.

14. 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.

	2024	2023
Revenue:		
Community Mental Health Program	\$ 882,678	\$ 790,425
GAIN Clinic	594,958	529,424
Municipal taxes	5,625	5,625
Supportive housing	554,249	493,544
Models of innovation	330,836	—
	2,368,346	1,819,018
Expenses:		
Community Mental Health Program	882,678	790,425
GAIN Clinic	594,958	529,424
Municipal taxes	5,625	5,625
Supportive housing	554,249	493,544
Models of innovation	330,836	—
	2,368,346	1,819,018
Excess of revenue over expenses	\$ —	\$ —

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

15. 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 \$628,224 (2023 - \$1,013,825) for the purchase of equipment.

At year-end, the receivable for these expenses and current year equipment purchase commitments amounted to \$23,821 (2023 - \$113,180).

(b) Transactions with Campbellford Memorial Multicare Lodge:

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

The Hospital provides various services which are billed to the Multicare Lodge and amounted to \$35,950 during the year (2023 - \$35,800). 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 \$74,233 (2023 - \$75,392).

The Hospital receives funding for the Supportive Housing Program. At the year-end there was an amount payable to the Multicare Lodge of \$49,423 (2023 - \$105,175).

(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.

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, 2024

15. Related entities (continued):

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

At year-end, there were \$Nil receivables or payables with these entities.

16. 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:

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

17. 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, 2024, the Hospital's portion of the plan was in a surplus position of approximately \$201,183 (2023 - \$240,785), 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, 2024.

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

17. Contingencies (continued):

(b) Healthcare Insurance Reciprocal of Canada (continued):

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, 2024.

(c) Employment matters:

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

18. 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, 2024 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 2023.

(b) Liquidity risk:

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

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

CAMPBELLFORD MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Fair value of financial instruments (continued):

(b) Liquidity risk (continued):

As at March 31, 2024, the Hospital continues to experience a net asset deficiency on the Statement of Financial Position driven by post-pandemic operating pressures, capital requirements, and the repeal of Bill 124. The Hospital maintains sufficient financial arrangements to support ongoing operations including access to credit facilities as described in Note 7.

(c) Interest rate risk:

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

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through its credit facilities discussed in notes 7 and 8 to these financial statements.

There has been no significant change to the interest rate risk exposure from 2023.

19. Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. During the year, the Hospital paid retroactive wage adjustments to active employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospitals' current wage rates and are included in the reported amount of salaries and wages.

In fiscal 2024, the Ministry of Health provided the Hospital with funding to offset a portion of the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024.