

Carleton Place & District Memorial Hospital
Financial Statements
For the Year Ended March 31, 2023

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Management's Responsibility for the Financial Statements

The accompanying financial statements are prepared in accordance with Canadian public sector accounting standards.

The financial statements are the responsibility of management and have been approved by the board of directors.

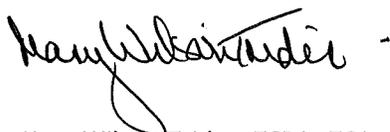
To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the Hospital's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the financial statements are based on reliable accounting records.

The Hospital's power and responsibilities are exercised by the board of directors.

The responsibilities of the Board of Directors include overseeing financial reporting and presentation procedures, which includes reviewing and approving the financial statements.

The independent auditor, BDO Canada LLP, has audited the financial statements and presented the following report.



Mary Wilson Trider, FCPA, FCA
President & CEO



Kimberley Harbord, CPA, CGA, MBA
Vice President Finance & CFO

Carleton Place, Ontario
June 27, 2023



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Independent Auditor's Report

To the Board of Directors of Carleton Place & District Memorial Hospital

Opinion

We have audited the financial statements of Carleton Place & District Memorial Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2023, the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2023, and its results of operations and 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 report. We are independent of the Hospital 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital'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 these 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 Hospital'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 Hospital'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 Hospital 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

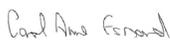
Ottawa, Ontario
June 27, 2023

**Carleton Place & District Memorial Hospital
Statement of Financial Position**

March 31	2023	2022
Assets		
Current		
Cash	\$ 2,119,732	\$ 1,423,513
Accounts receivable	2,852,220	1,410,620
Inventories	194,093	239,021
Prepaid expenses	181,656	160,030
	5,347,701	3,233,184
Restricted cash	-	1,074,920
Capital Assets (Note 2)	12,850,613	7,639,071
	\$18,198,314	\$ 11,947,175
Liabilities and Net Assets (Deficit)		
Current		
Bank indebtedness	\$ 1,149,876	\$ -
Accounts payable and accrued liabilities	4,606,641	1,293,952
Current portion of deferred contributions (Note 4)	652,799	896,681
	6,409,316	2,190,633
Deferred contributions (Note 4)	214,161	1,260,516
Deferred contributions related to capital assets (Note 5)	11,024,724	7,220,281
Employee future benefits (Note 6)	419,200	400,900
Asset retirement obligation (Note 13)	1,300,000	1,300,000
	19,367,401	12,372,330
Net Assets		
Invested in Capital Assets	525,889	(881,210)
Unrestricted (deficit)	(1,694,976)	456,055
	(1,169,087)	(425,155)
	\$18,198,314	\$ 11,947,175

Contractual obligations (Note 8)
Contingencies (Note 10)

On behalf of the Board:



Director



Director

Carleton Place & District Memorial Hospital
Statement of Changes in Net Assets (Deficit)

For the year ended March 31	Invested in Capital Assets	Unrestricted	2023 Total	2022 Total
Balance, beginning of the year	\$ (881,210)	\$ 456,055	\$ (425,155)	\$ 1,068,085
Asset retirement obligation (Note 12)	32,500	-	32,500	(1,235,000)
Deficiency of revenues over expenses	-	(776,432)	(776,432)	(258,240)
Amortization of deferred contributions related to capital assets	1,015,855	(1,015,855)	-	-
Amortization of capital assets	(1,160,207)	1,160,207	-	-
Purchase of capital assets	6,339,249	(6,339,249)	-	-
Amounts funded by deferred capital contributions	(4,820,298)	4,820,298	-	-
Balance, end of the year	\$ 525,889	\$ (1,694,976)	\$ (1,169,087)	\$ (425,155)

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital Statement of Operations

For the year ended March 31	2023	2022
Revenue		
Ministry of Health	\$12,492,944	\$ 12,048,451
Other patient services	3,383,802	2,856,590
Other funding	1,046,589	766,176
Amortization of deferred contributions related to equipment and software	696,199	582,343
	17,619,534	16,253,560
Expenses		
Amortization of equipment and software	758,799	692,404
Drugs and medical gases	297,417	277,250
Employee benefits	1,847,314	1,972,368
General supplies	3,232,813	3,061,139
Medical and surgical supplies	479,833	386,421
Medical staff remuneration	3,168,150	2,556,613
Salaries and wages	8,511,588	7,384,194
	18,295,914	16,330,389
Deficiency of revenue over expenses from operations	(676,380)	(76,829)
Other votes		
Revenue	3,150	3,150
Expenses	(3,150)	(3,150)
Deficiency of revenue over expenses from operations and other votes	(676,380)	(76,829)
Other (income) and expenses		
Amortization of deferred contributions related to buildings	319,656	327,941
Amortization of buildings and land improvements	(401,408)	(489,252)
Change in employee future benefits liability	(18,300)	(20,100)
Deficiency of revenues over expenses	\$ (776,432)	\$ (258,240)

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (776,432)	\$ (258,240)
Items not affecting cash:		
Amortization of deferred contributions related to capital assets	(1,015,855)	(910,284)
Amortization of capital assets	1,160,207	1,181,656
Increase in employee future benefits	18,300	20,100
	(613,780)	33,232
Changes in non-cash working capital:		
Accounts receivable	(1,441,600)	(126,398)
Inventories	44,928	77,724
Prepaid expenses	(21,626)	(48,291)
Accounts payable and accrued liabilities	3,312,689	107,833
Deferred contributions	(1,453,245)	143,423
	(172,634)	187,523
Cash flows from investing activities		
Change in restricted cash	1,074,920	47,955
Increase in bank indebtedness	1,149,876	-
	2,224,796	47,955
Cash flows from capital activities		
Deferred contributions related to capital assets received	4,983,306	793,788
Purchase of capital assets	(6,339,249)	(686,946)
	(1,355,943)	106,842
Net increase in cash	696,219	342,320
Cash, beginning of the year	1,423,513	1,081,193
Cash, end of the year	\$ 2,119,732	\$ 1,423,513

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization The Carleton Place & District Memorial Hospital (the "Hospital"), established in 1955, provides health care services to the residents of the Town of Carleton Place and surrounding areas. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Presentation The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Carleton Place & District Memorial Hospital Foundation is a separate entity whose financial information is reported separately from the Hospital.

Contributed Services Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2023 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition (continued) If the Hospital does not meet its performance standards, or obligations, the MOH has the right to adjust funding received by the Hospital. The MOH is not required to communicate certain funding adjustments until after the submission of the year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

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

Amortization of buildings is not funded by the MOH as part of operations and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Revenue from other patient services is recognized when the service is provided.

Inventories Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Capital Assets Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated as follows:

Land improvements	3 to 25 years
Buildings	10 to 40 years
Hospital equipment	3 to 25 years
Software licenses	3 to 10 years

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

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The discount rate used in the determination of the above mentioned liabilities is equal to the MOH's recommendation, which the Hospital has chosen to adopt.

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at this cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its cash and cash equivalents at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require the Hospital to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Areas of key estimates include determination of allowance for doubtful accounts, useful lives of capital assets, actuarial estimation of employee future benefits and asset retirement obligation.

Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are 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.

The liability for the removal of asbestos in the building owned by the Hospital has been recognized based on estimated future expenses on closure of the site and post-closure care.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

2. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 75,015	\$ -	\$ 75,015	\$ -
Land improvements	334,666	323,850	334,666	322,038
Buildings	12,633,236	8,486,838	11,411,961	8,119,928
Hospital equipment	8,968,632	6,796,314	8,442,175	6,277,584
Software licenses	3,315,702	2,336,206	3,256,803	2,096,137
Construction in progress	5,466,570	-	934,138	-
	<u>\$30,793,821</u>	<u>\$17,943,208</u>	<u>\$ 24,454,758</u>	<u>\$ 16,815,687</u>
		<u>\$12,850,613</u>		<u>\$ 7,639,071</u>

On April 1, 2022, the Hospital recognized an asset retirement obligation relating to the removal of asbestos in the buildings it owns. The adjustment was made retroactive to April 1, 2021 and resulted in an increase in the cost of the building of \$1,300,000 and an increase in opening accumulated amortization \$1,235,000 at the date of transition. In each of the years ended March 31, 2022 and March 31, 2023 the amortization expense increased by \$32,500.

3. Bank Indebtedness

The Hospital has an available line of credit of \$1,025,000 with its corporate banker. This line of credit is being used as collateral for a Letter of Credit in the same amount. The Letter of Credit is required to support the development permit with the Town of Carleton Place for the redevelopment of the new Emergency Department. This line of credit is unsecured and bears interest at prime less 0.50%. The Hospital also has a revolving term loan facility with a maximum credit of \$500,000 which bears interest at prime plus an applicable spread dependent on the amount drawn. At March 31, 2023, no amounts were withdrawn on the line of credit or the revolving term loan facility.

In order to finance the construction of the new emergency department, the Hospital entered into a \$10,000,000 revolving construction facility with its corporate banker. This facility bears interest at prime less 0.61%. The facility can be drawn, repaid and redrawn at any time until January 31, 2025 and is repayable immediately upon receipt of government remittances related to the construction project. At March 31, 2023, the undrawn capacity on the facility was \$8,850,124.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

4. Deferred Contributions

Deferred contributions represent contributions received for expenses that will be incurred in the following years. The deferred contributions consist of the following:

	2023	2022
Redevelopment grant	\$ 548,244	\$ 1,082,277
Clinical Externs grant	261,543	-
Summer Locum grant	57,173	-
New Emergency Department grant	-	1,074,920
	866,960	2,157,197
Less: current portion of deferred contributions	652,799	896,681
	\$ 214,161	\$ 1,260,516

Changes in the contributions deferred to future periods are as follows:

Balance, beginning of year	\$ 2,157,197	\$ 2,013,774
Add: amount received during the year	2,355,580	1,057,402
Less: amount recognized in revenue	(816,634)	(504,770)
Less: transfer to deferred contributions related to capital assets	(2,829,183)	(409,209)
	866,960	2,157,197
Less: current portion of deferred contributions	652,799	896,681
	\$ 214,161	\$ 1,260,516

5. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the period are as follows:

	2023	2022
Beginning balance	\$ 7,220,281	\$ 7,336,777
Add: contributions received during the year	1,991,115	384,579
Add: transfer from deferred contributions	2,829,183	409,209
Less: amounts amortized to revenue	(1,015,855)	(910,284)
	\$11,024,724	\$ 7,220,281

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

6. Employee Future Benefits

Post-Retirement Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2021, and an extrapolation of the results was performed to obtain an estimate as at March 31, 2023.

Accrued Benefits Liability

The reconciliation of the actuarially determined accrued benefit obligation to the amount recorded in the financial statements is as follows:

	2023	2022
Accrued benefit obligation	\$ 446,300	\$ 444,900
Unamortized actuarial gains (losses)	(27,100)	(44,000)
Accrued benefit liability	\$ 419,200	\$ 400,900

Significant assumptions

The significant actuarial assumptions and economic factors adopted in estimating the Hospital's accrued benefit obligations are as follows. All rates and percentages are annualized.

	2023	2022
Discount rate	4.04 %	3.89 %
Dental cost trend rate	3.00 %	3.00 %
Extended health care trend rate	5.57 %	5.57 %

Benefits Expense

Included in the statement of operations is a benefit expense of \$70,900 (2022 - \$38,900). This expense is comprised of the following:

	2023	2022
Current period benefit cost	\$ 34,100	\$ 19,500
Amortization of actuarial losses	21,200	8,000
Post-retirement benefit interest expense	15,600	11,400
Benefits expense	\$ 70,900	\$ 38,900

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

6. Employee Future Benefits (continued)

Hospital of Ontario Pension Plan ("HOOPP")

HOOPP provides pension services to more than 419,000 members and approximately 624 employers. Substantially all of employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2022 disclosed a surplus of \$10,953 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$174,144 million in respect of benefits accrued for service with actuarial assets at that date of \$185,097 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions by the Hospital to the plan during the year by the Hospital amounted to \$518,674 (2022 - \$531,004).

7. Related Party Transactions

(a) Mississippi River Health Alliance

Under the terms of the Mississippi River Health Alliance agreement, the Hospital and Almonte General Hospital ("AGH") are related by virtue of having common membership on the separate Board of Directors and an integrated executive management team. The two hospitals operate as individual corporations under the Public Hospitals Act of Ontario, receive their own funding from the Government and are separate employers.

During the year ended March 31, 2023, the Hospital charged AGH \$522,124 (2022 - \$306,487) for administrative services. As at March 31, 2023, of these administrative services, \$166,297 are receivable (2022 - \$101,547).

During the year ended March 31, 2023, AGH charged the Hospital \$1,099,420 (2022 - \$832,883) for administrative services. As at March 31, 2023, \$119,239 are payable (2022 - \$45,495).

These transactions are recorded at cost.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

7. Related Party Transactions (continued)

(b) Economic interest

The Carleton Place & District Memorial Hospital Foundation (the "Foundation") is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. The Foundation receives and maintains funds for charitable purposes, which it donates to the Hospital for the use of operations, renovations, maintenance and equipment of the Hospital.

During the year ended March 31, 2023, the Foundation made capital contributions of \$461,788 (2022 - \$359,914) to the Hospital. As at March 31, 2023, \$290,385 of these contributions are receivable (2022 - \$45,396).

During the year ended March 31, 2023, the Hospital billed the Foundation \$290,327 (2022 - \$213,602) for administrative services. As at March 31, 2023, of these administrative services, \$27,488 are receivable (2022 - \$45,396).

These transactions are recorded at cost.

8. Contractual Obligations

As of March 31, 2023, the Hospital has the following contractual obligations relating to operating leases for the next five years:

2024	\$	157,560
2025	\$	123,256
2026	\$	69,725
2027	\$	23,232
2028	\$	23,232

During the year, the Hospital also entered into an agreement for the redevelopment of the Emergency Department. The amounts committed are \$13,032,100 and \$1,927,800 for years ending on March 31, 2024 and 2025 respectively.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

9. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable.

The majority of the Hospital's receivables are from government sources and the Hospital works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The maximum exposure to accounts receivable credit risk would be the carrying value of \$2,852,220 (2022 - \$1,410,620).

The Hospital is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections. The amounts outstanding at year end were as follows:

	<i>Past due</i>					
	Total	0-30 days	30-60 days	61-90 days	91-120 days	Over 120 days
Patient related	\$ 231,158	\$ 56,227	\$ 84,855	\$ 47,076	\$ 10,601	\$ 32,399
Client billing	75,551	35,583	35,650	627	-	3,692
Foundation	317,873	186,348	64,251	60,428	6,846	-
One-time funding	1,711,775	1,287,484	52,139	81,723	56,208	234,221
Others	570,863	310,916	72,474	117,637	56,499	13,337
Gross receivables	2,907,220	1,876,558	309,369	307,491	130,154	283,649
Less: impairment allowances	<u>(55,000)</u>					
Net receivables	<u>\$2,852,220</u>					

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

9. Financial Instruments (continued)

	<i>Past due</i>					
	Total	0-30 days	30-60 days	61-90 days	91-120 days	Over 120 days
Patient related	\$ 147,287	\$ 71,325	\$ 46,209	\$ 12,858	\$ 3,866	\$ 13,029
Client billing	70,593	17,677	16,801	35,588	-	527
Foundation	399,634	17,759	19,442	362,433	-	-
Others	114,619	105,513	-	-	-	9,106
Gross receivables	732,133	212,274	82,452	410,879	3,866	22,662
Add: COVID-19 related	582,089					
Less: impairment allowances	<u>(30,000)</u>					
Net receivables	<u>\$ 1,410,620</u>					

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment.

Liquidity risk

Liquidity risk is the risk that the Hospital will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Hospital will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Hospital is exposed to this risk mainly in respect of its accounts payable.

The Hospital's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Hospital maintains most of its invested assets in liquid securities.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. The increase borrowing during the year enhance the liquidity risk exposure of the Hospital.

The Hospital has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. It remains uncertain whether the Ministry of Health will directly fund this expense. The Hospital has sufficient financial arrangements in place in the form of cash reserves to settle this one-time obligation in the short-term.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

9. Financial Instruments (continued)

The Hospital's liquidity risk has increased in the year due to the effect of operating losses on its overall liquidity. The Hospital will require sufficient and timely funding from the Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is exposed to interest rate risk on its employee future benefit obligation and on the construction loan. The increased borrowing at variable rate during the year enhance the interest rate risk exposure of the Hospital.

10. Contingencies

(a) Legal matters and litigation:

The nature of the Hospital's activities is such that there is usually litigation pending or in process at any time. With respect to claims at March 31, 2023, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) Healthcare Insurance Reciprocal of Canada:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. 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 year in which they were a subscriber. No such assessments were required during the year ended March 31, 2023.

(c) Employment matters:

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

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

10. Contingencies (continued)

(d) 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. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

11. Ministry of Health Pandemic Funding

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH 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 MOH 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 MOH 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 MOH 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 MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Due to the uncertainty of the amount of funding that will be confirmed in future years, management has recorded a provision on the receivable as noted in the chart below. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

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

	2023	2022
Funding for incremental COVID-19 operating expenses	\$ 374,300	\$ 618,000
Funding for retention of nurses	53,799	145,000
Funding for Temporary Summer Locum Program Expansion	530,127	-
Ending balance	\$ 958,226	\$ 763,000

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

12. Implementation of new accounting standard

On April 1, 2022, the Hospital adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard

On April 1, 2022, the Hospital recognized an asset retirement obligation of \$1,300,000 relating to buildings owned by the Hospital that contain asbestos. The buildings were originally purchased in 1983, and had an expected useful life of 40 years. The estimate has not been changed since the purchase.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

Asbestos obligation:

- An increase of \$1,300,000 to the buildings capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$1,235,000 to accumulated amortization, representing 38 years of increased amortization had the liability originally been recognized;
 - An asset retirement obligation in the amount of \$1,300,000, representing the estimated remediation costs; and
 - A decrease to opening accumulated surplus of \$1,235,000, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the 38 years since purchase.
-

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2023

13. Asset Retirement Obligation

The Hospital owns and operates a building that is known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations effective April 1, 2021, the Hospital recognized an obligation of \$1,300,000 relating to the removal and post-removal care of the asbestos in these building. During the year ended March 31, 2023, the building was fully amortized.

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 and any other soil contaminants in accordance with current legislation.

	Asbestos removal
Opening Balance	\$ -
Adjustment on adoption of asset retirement obligation standard (Note 12)	<u>1,235,000</u>
Opening balance, as restated	1,235,000
Accretion expense	<u>32,500</u>
	<u>\$ 1,267,500</u>

14. Comparative information

Certain 2022 comparative information has been reclassified to conform with the financial statement presentation adopted for 2023.
