

Carleton Place & District Memorial Hospital
Financial Statements
For the Year Ended March 31, 2024

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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.



Brad Harrington, CPA, CMA
President & CEO



Brad Hilker, MBA, FCPA, FCMA
Interim Vice President Finance & CFO

Carleton Place, Ontario
June 26, 2024



Tél./Tel: 613-237-9331
Télec./Fax: 613-237-9779
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP
180 Kent Street
Suite 1700
Ottawa ON K1P 0B6 Canada

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, 2024, 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, 2024, 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 26, 2024

Carleton Place & District Memorial Hospital Statement of Financial Position

March 31	2024	2023
Assets		
Current		
Cash	\$ 4,783,639	\$ 2,119,732
Accounts receivable	1,357,677	2,852,220
Inventories	158,245	194,093
Prepaid expenses	146,905	181,656
	6,446,466	5,347,701
Capital Assets (Note 2)	25,147,755	12,850,613
	\$ 31,594,221	\$ 18,198,314

Liabilities and Net Assets (Deficit)

Current		
Bank indebtedness (Note 3)	\$ -	\$ 1,149,876
Accounts payable and accrued liabilities	6,069,550	4,606,641
Current portion of deferred contributions (Note 4)	508,545	652,799
	6,578,095	6,409,316
Deferred contributions (Note 4)	272,085	214,161
Deferred contributions related to capital assets (Note 5)	24,516,042	11,024,724
Employee future benefits (Note 6)	439,000	419,200
Asset retirement obligation (Note 11)	1,348,000	1,300,000
	33,153,222	19,367,401
Net Assets		
Invested in Capital Assets (deficiency)	(668,287)	525,889
Deficit	(890,714)	(1,694,976)
	(1,559,001)	(1,169,087)
	\$ 31,594,221	\$ 18,198,314

Contractual obligations (Note 8)
Contingencies (Note 10)

On behalf of the Board:



Director

Lyman Gardiner, Board Chair



Director

Randy Larkin, Board Finance & Audit Committee Chair

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

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

For the year ended March 31	Invested in Capital Assets	Unrestricted	2024 Total	2023 Total
Balance, beginning of the year	\$ 525,889	\$ (1,694,976)	\$ (1,169,087)	\$ (425,155)
Asset retirement obligation	-	-	-	32,500
Deficiency of revenues over expenses	-	(389,914)	(389,914)	(776,432)
Amortization of deferred contributions related to capital assets	1,031,942	(1,031,942)	-	-
Amortization of capital assets	(1,170,015)	1,170,015	-	-
Purchase of capital assets	13,467,157	(13,467,157)	-	-
Amounts funded by deferred capital contributions	(14,523,260)	14,523,260	-	-
Balance, end of the year	\$ (668,287)	\$ (890,714)	\$ (1,559,001)	\$ (1,169,087)

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	2024	2023
Revenue		
Ministry of Health	\$13,202,806	\$ 12,492,944
Other patient services	3,799,066	3,383,802
Other funding	1,062,212	1,046,589
Amortization of deferred contributions related to equipment and software	727,423	696,199
	<u>18,791,507</u>	<u>17,619,534</u>
Expenses		
Amortization of equipment and software	821,045	758,799
Drugs and medical gases	293,637	297,417
Employee benefits	2,091,989	1,847,314
General supplies	3,486,285	3,232,813
Medical and surgical supplies	534,887	479,833
Medical staff remuneration	3,447,281	3,168,150
Salaries and wages	8,647,121	8,511,588
	<u>19,322,245</u>	<u>18,295,914</u>
Deficiency of revenue over expenses from operations	(530,738)	(676,380)
Other votes		
Revenue	3,150	3,150
Expenses	(3,150)	(3,150)
Deficiency of revenue over expenses from operations and other votes	(530,738)	(676,380)
Other (income) and expenses		
Amortization of deferred contributions related to buildings	304,519	319,656
Amortization of buildings and land improvements	(348,970)	(401,408)
Change in employee future benefits liability	(19,800)	(18,300)
Asset retirement obligation accretion expense	(48,000)	-
Reimbursement of prior year Bill 124 costs	253,075	-
Deficiency of revenues over expenses	<u>\$ (389,914)</u>	<u>\$ (776,432)</u>

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	2024	2023
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (389,914)	\$ (776,432)
Items not affecting cash:		
Amortization of deferred contributions related to capital assets	(1,031,942)	(1,015,855)
Amortization of capital assets	1,170,015	1,160,207
Increase in employee future benefits	19,800	18,300
Asset retirement obligation (Note 11)	48,000	-
	<u>(184,041)</u>	<u>(613,780)</u>
Changes in non-cash working capital:		
Accounts receivable	1,494,543	(1,441,600)
Inventories	35,848	44,928
Prepaid expenses	34,751	(21,626)
Accounts payable and accrued liabilities	1,462,910	3,312,689
Deferred contributions	(86,330)	(1,453,245)
	<u>2,757,681</u>	<u>(172,634)</u>
Cash flows from investing activities		
Change in restricted cash	-	1,074,920
Increase in (repayment of) bank indebtedness	(1,149,876)	1,149,876
	<u>(1,149,876)</u>	<u>2,224,796</u>
Cash flows from capital activities		
Deferred contributions related to capital assets received	14,523,259	4,983,306
Purchase of capital assets	(13,467,157)	(6,339,249)
	<u>1,056,102</u>	<u>(1,355,943)</u>
Net increase in cash	2,663,907	696,219
Cash, beginning of the year	<u>2,119,732</u>	<u>1,423,513</u>
Cash, end of the year	<u>\$ 4,783,639</u>	<u>\$ 2,119,732</u>

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

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2024

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 continued under the Ontario Not-for-profit Corporations Act, 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	<p>The Hospital follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>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 2024 with the Ministry and Ontario Health East 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.</p>

Carleton Place & District Memorial Hospital

Notes to Financial Statements

March 31, 2024

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, 2024

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, 2024

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, 2024

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.

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.

Implementation of new accounting standard

The Hospital has adopted the following new public sector accounting standard in the year:

i) PS 3400 Revenue:

On April 1, 2023, the Hospital adopted Public Sector Accounting Standard PS 3400 - Revenue. This new accounting standard provides requirements for the recognition, measurement, presentation, and disclosure of revenue transactions. This standard was adopted prospectively from the date of adoption. The implementation of this standard did not require the Hospital to reflect any adjustment in these financial statements.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

2. Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 75,015	\$ -	\$ 75,015	\$ -
Land improvements	348,942	326,138	334,666	323,850
Buildings	12,555,636	8,833,521	12,633,236	8,486,838
Hospital equipment	10,255,047	7,377,229	8,968,632	6,796,314
Software licenses	3,284,329	2,552,737	3,315,702	2,336,206
Construction in progress	17,718,411	-	5,466,570	-
	<u>\$44,237,380</u>	<u>\$19,089,625</u>	<u>\$ 30,793,821</u>	<u>\$ 17,943,208</u>
		<u>\$25,147,755</u>		<u>\$ 12,850,613</u>

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, 2024, 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, 2024, the undrawn capacity on the facility was \$9,546,681.

Subsequent to March 31, 2024, CPDMH entered into a loan agreement with RBC for \$1,200,000 to fund its Electronic Medical Record project.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

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:

	2024	2023
Redevelopment Grant	\$ 750,630	\$ 548,244
Clinical Externs Grant	-	261,543
Summer Locum Grant	30,000	57,173
	780,630	866,960
Less: current portion of deferred contributions	508,545	652,799
	\$ 272,085	\$ 214,161

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

Balance, beginning of year	\$ 866,960	\$ 2,157,197
Add: amount received during the year	13,621,932	2,355,580
Less: amount recognized in revenue	(1,393,573)	(816,634)
Less: transfer to deferred contributions related to capital assets	(12,314,689)	(2,829,183)
	780,630	866,960
Less: current portion of deferred contributions	508,545	652,799
Balance, end of year	\$ 272,085	\$ 214,161

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:

	2024	2023
Beginning balance	\$11,024,724	\$ 7,220,281
Add: contributions received during the year	2,208,571	1,991,115
Add: transfer from deferred contributions	12,314,689	2,829,183
Less: amounts amortized to revenue	(1,031,942)	(1,015,855)
Ending balance	\$24,516,042	\$ 11,024,724

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

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 of March 31, 2024.

Accrued Benefits Liability

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

	2024	2023
Accrued benefit obligation	\$ 363,300	\$ 446,300
Unamortized actuarial gains (losses)	75,700	(27,100)
	\$ 439,000	\$ 419,200

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 annualised.

	2024	2023
Discount rate	3.95 %	4.04 %
Dental cost trend rate	5.00 %	3.00 %
Extended health care trend rate	5.97 %	5.57 %

Benefits Expense

Included in the statement of operations is a benefit expense of \$64,700 (2023 - \$70,900). This expense is comprised of the following:

	2024	2023
Current period benefit cost	\$ 33,200	\$ 34,100
Prior service costs incurred during the period	3,000	-
Amortization of actuarial losses	9,900	21,200
Post-retirement benefit interest expense	18,600	15,600
	\$ 64,700	\$ 70,900

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

6. Employee Future Benefits (continued)

Hospital of Ontario Pension Plan ("HOOPP")

HOOPP provides pension services to more than 460,000 members and approximately 670 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, 2023 disclosed a surplus of \$10,181,000. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$193,575,000 in respect of benefits accrued for service with actuarial assets at that date of \$203,756,000. 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 \$614,639 (2023 - \$518,674).

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 Allied 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, 2024, the Hospital charged AGH \$452,427 (2023 - \$522,124) for administrative services. As at March 31, 2023, of these administrative services, \$57,835 are receivable (2023 - \$166,297).

During the year ended March 31, 2024, AGH charged the Hospital \$1,390,151 (2023 - \$1,099,420) for administrative services. As at March 31, 2023, \$119,816 are payable (2023 - \$119,239).

These transactions are recorded at cost.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

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, 2024, the Foundation made capital contributions of \$2,056,228 (2023 - \$461,788) to the Hospital. As at March 31, 2024, \$215,294 of these contributions are receivable (2023 - \$290,385).

During the year ended March 31, 2024, the Hospital billed the Foundation \$366,915 (2023 - \$290,327) for administrative services. As at March 31, 2024, of these administrative services, \$68,917 are receivable (2023 - \$27,488).

These transactions are recorded at cost.

8. Contractual Obligations

As of March 31, 2024, the Hospital has the following contractual obligations relating to operating leases for the next four years:

2025	\$	126,756
2026	\$	73,225
2027	\$	26,732
2028	\$	23,232

As of October 24, 2022, the Hospital had entered into an agreement for the redevelopment of the Emergency Department. The amount committed is \$2,490,485 for the year ending March 31, 2025.

Carleton Place & District Memorial Hospital Notes to Financial Statements

March 31, 2024

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 \$1,357,677 (2023 - \$2,852,220).

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	\$ 187,279	\$ 80,546	\$ 62,919	\$ 19,405	\$ 8,968	\$ 15,441
Client billing	101,294	32,187	60,251	8,856	-	-
Foundation	284,211	250,349	33,862	-	-	-
One-time funding	525,272	525,272	-	-	-	-
Others	294,621	294,621	-	-	-	-
Gross receivables	1,392,677	1,182,975	157,032	28,261	8,968	15,441
Less: impairment allowances	<u>(35,000)</u>					
Net receivables	<u>\$1,357,677</u>					

Carleton Place & District Memorial Hospital Notes to Financial Statements

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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	\$ 231,158	\$ 56,227	\$ 84,855	\$ 47,076	\$ 10,601	\$ 32,399
Client billing	75,551	35,582	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	1,876,557	309,369	307,491	130,154	283,649
Less: impairment allowances	<u>(55,000)</u>					
Net receivables	<u>\$ 2,852,220</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'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.

Carleton Place & District Memorial Hospital Notes to Financial Statements

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9. Financial Instruments (continued)

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, 2024, management believes the Hospital has valid defences 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, 2024.

(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

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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.

In the year, the Ministry of Health provided funding to the Hospital to partially offset the cost of both the retroactive adjustments related to prior years, and the current year impact on salaries and wages. The funding received with respect to the retroactive adjustments is presented separately in the statement of operations. The Ministry of Health has not committed to providing funding to offset the additional costs related to the impact of Bill 124.

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11. 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 years ended March 31, 2024 and 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.

In the current year, the Hospital increased the asset retirement obligation estimate by \$48,000 to reflect a 3.66% escalation rate for building construction indexes for asbestos removal. This amount is included as an asset retirement obligation inflationary adjustment expense in the statement of operations. There was no remediation performed on the affected buildings in the current year.

	Asbestos removal	
	2024	2023
Opening Balance	\$ 1,300,000	\$ -
Adjustment on adoption of asset retirement obligation standard	-	\$ 1,267,500
Opening balance, as restated	1,300,000	\$ 1,267,500
Accretion expense	48,000	\$ 32,500
	\$ 1,348,000	\$ 1,300,000
