Financial Statements of

KEMPTVILLE DISTRICT HOSPITAL

Year ended March 31, 2023

KEMPTVILLE DISTRICT HOSPITAL

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Kemptville District Hospital (the "Hospital") as at and for the year ended March 31, 2023 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Corporate Services Committee of the Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Corporate Services Committee's and the Board of Directors' approval of the financial statements.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, independent external auditors appointed by the Hospital. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.

Frank J. Vassallo
Chief Executive Officer

Brittany Rivard, CPA, CA
CFO & VP Operations

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INDEPENDENT AUDITOR'S REPORT

To the Members of Kemptville District Hospital

Opinion

We have audited the financial statements of the Kemptville District Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses 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, 2023, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

Emphasis of Matter – Restatement of financial statements

We draw attention to Note 3 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified with respect of this matter.

Other Matter – Restatement of financial statements

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Our opinion is not modified with respect to this matter.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 14, 2023

KEMPTVILLE DISTRICT HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022 (Restated – note 3)
Assets		
Current assets:		
Cash	$ 2,400,612	$ 6,516,994
Short-term investments (note 4)	2,038,843	–
Accounts receivable (note 14(a))	4,790,194	4,335,182
Inventories	82,852	97,909
Prepaid expenses	675,413	286,520
	9,987,914	11,236,605
Long-term receivable	–	120,000
Investment in RVHS (note 11)	–	1
Capital assets (note 5)	34,369,289	30,560,222
Assets held for sale (note 5)	–	115,297
	$ 44,357,203	$ 42,032,125
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 7,707,436	$ 6,478,949
Deferred revenue	–	473,297
	7,707,436	6,952,246
Deferred contributions related to capital assets (note 7)	30,166,119	27,340,444
Employee future benefits liability (note 8)	761,600	770,200
Asset retirement obligation (note 3 and 12)	3,117,103	3,130,550
	41,752,258	38,193,440
Net assets:		
Invested in capital assets	1,187,917	204,525
Restricted endowment	28,224	28,224
Unrestricted	1,388,804	3,605,936
	2,604,945	3,838,685
Accumulated remeasurement gains	–	–
	2,604,945	3,838,685
Commitments, contingencies and guarantees (note 13)		
	$ 44,357,203	$ 42,032,125

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022 (Restated – note 3)
Revenue:		
Champlain Local Health Integration Network and Ontario Ministry of Health Allocations (Schedule A)	$ 18,960,552	$ 18,888,631
Other (Schedules B and D)	8,877,970	7,849,015
Other funding votes (Schedule E)	1,647,740	1,387,711
	29,486,262	28,125,357
Expenses:		
Salaries, wages and purchased services	12,330,474	10,878,876
Employee benefits	2,689,360	2,824,190
Medical staff remuneration	3,880,121	3,016,326
Supplies and other expenses	6,170,401	7,117,440
Medical and surgical supplies	2,273,638	1,668,410
Drugs and medical gases	344,966	371,336
Miscellaneous	40,714	45,087
Bad debts	49,266	25,598
Amortization of equipment	556,891	512,572
Other funding votes (Schedule E)	1,834,448	1,557,581
	30,170,279	28,017,416
Excess (deficiency) of revenue over expenses before undernoted	(684,017)	107,941
Other revenue and expenses (Schedule C)	(549,723)	(366,605)
Deficiency of revenue over expenses	$ (1,233,740)	$ (258,664)

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Restricted for endowment	Unrestricted	2023 Total	2022 Total
					(Restated - note 3)
Balance, beginning of year	$ 315,850	$ 28,224	$ 3,605,936	$ 3,950,010	$ 4,097,349
Adjustment on adoption of asset retirement obligation standard (note 2(g))	(111,325)	–	–	(111,325)	–
Net assets, beginning of year, as restated	204,525	28,224	3,605,936	3,838,685	4,097,349
Deficiency of revenue over expenses	–	–	(1,233,740)	(1,233,740)	(258,664)
Capital asset additions	5,749,274	–	(5,749,274)	–	–
Amortization of capital assets	(1,940,207)	–	1,940,207	–	–
Net change in deferred contributions related to capital assets	(2,825,675)	–	2,825,675	–	–
Balance, end of year	$ 1,187,917	$ 28,224	$ 1,388,804	$ 2,604,945	$ 3,838,685

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
Accumulated remeasurement gains, beginning of the year	$	–	$	143,243
Unrealized gains attributable to investments		–		–
Realized gains attributable to the sale of investments		–		(143,243)
Accumulated remeasurement gains, end of year	$	–	$	–

See accompanying notes to financial statements.

KEMPTVILLE DISTRICT HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 3)
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (1,233,740)	$ (258,664)
Items which do not involve cash:		
Change in employee future benefits liability	(8,600)	(5,300)
Change in asset retirement obligation	(13,447)	–
Accrued interest on investment	(38,843)	–
Amortization of capital assets	1,940,207	1,898,944
Amortization of deferred capital contributions related to capital assets	(1,591,888)	(1,350,018)
Gain on sale of assets held for sale	(480,792)	–
Realized gains from statement of remeasurement gains and losses	–	(143,243)
Change in non-cash operating working capital (note 9)	46,342	1,412,692
	(1,380,761)	1,554,411
Capital activities:		
Deferred contributions related to capital assets received	4,417,563	1,715,413
Sale of assets held for sale	596,090	–
Net purchase of capital assets	(5,749,274)	(2,294,423)
	(735,621)	(579,010)
Investing activities:		
Sale of investments	–	2,142,242
Acquisition of investments	(2,000,000)	–
	(2,000,000)	2,142,242
Increase (decrease) in cash	(4,116,382)	3,117,643
Cash, beginning of year	6,516,994	3,399,351
Cash, end of year	$ 2,400,612	$ 6,516,994

See accompanying notes to financial statements.

1. Stature and nature business:

The Kemptville District Hospital (the "Hospital"), a corporation without share capital, incorporated under the Corporations Act of Ontario, is a not-for-profit organization which provides health care services. As a registered charity, the Hospital is exempt from income taxes under the Income Tax Act (Canada).

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of the Kemptville District Hospital Auxiliary and the Kemptville District Hospital Foundation, which, although associated with the Hospital, are separately managed, and report to separate Boards of Directors. In the prior year, the Hospital became the sole shareholder of the Rideau Valley Health Services Ltd., the financial results have been presented within Note 11(c) and further information is presented within Note 2(k). Rideau Valley Health Services Ltd. was dissolved on March 30, 2023.

2. 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) Basis of presentation:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition:

Under the Local Health Integration Act, 2006, the Hospital is funded primarily by the Champlain Local Health Integration Network ("LHIN"), an entity created by the Government of Ontario on April 1, 2007. Allocations are negotiated through a Hospital Service Accountability Agreement in accordance with processes established by the LHIN and the Ministry of Health of Ontario.

Allocations are recorded as revenue in the period to which they relate when received or receivable if the amount can be reasonably estimated and collection can be reasonably assured. The final amount of revenue recorded cannot be determined until the LHIN and the Ministry of Health of Ontario have reviewed the Hospital's financial and statistical returns for the year. Any adjustment arising from these reviews is recorded in the period in which the adjustment is made.

Amounts approved but not received at the end of an accounting period are recorded as accounts receivable. When a portion of an allocation relates to a future period, it is deferred and recognized in that period.

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

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue using the straight-line method, at the related tangible capital assets' amortization rate.

Endowment contributions are recognized as direct increases in restricted for endowment net assets.

Investment income is recognized as revenue when earned.

Recoveries and miscellaneous revenue as well as revenue for services rendered are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its investment 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.

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,

- 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.

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2. Significant accounting policies (continued):

(d) Inventories:

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

(e) Donations-in-kind:

The Hospital records significant donations-in-kind at fair value when it can be easily determined.

(f) Capital assets:

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the straight-line method over the following periods:

Asset	Useful Life
Land improvements	8 to 20 years
Buildings and building service equipment	5 to 40 years
Equipment and equipment under capital lease	3 to 20 years
Software	3 to 5 years

(g) 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.

A liability for the removal of asbestos in a building owned by the Hospital has been recognized based on estimated future expenses on closure of the site and post-closure care. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of a liability resulted in an accompanying increase to the cost of the building affected by the asbestos liability and is being amortized with the building. The building and building service equipment are following the amortization accounting policies outlined in note 2(f).

2. Significant accounting policies (continued):

(h) Employee benefits plan:

The Hospital accrues its share of the obligation for the employee benefits plan of the Ontario Nurses Association ("ONA"). The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on the number of years of service and management's best estimate of retirement age of employees and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2021, and the next required valuation will be as of March 31, 2024.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 12 years (2022 - 12 years).

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

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

(i) Contributed services:

Volunteers donate a considerable number of hours to assist the Hospital in carrying out its activities on a yearly basis. Due to the difficulty in compiling these hours and in determining the fair value, contributed services are not recognized in the financial statements.

(j) Use of estimates:

The preparation of the financial statements 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 year. Significant items subject to such estimates and assumptions include the obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

2. Significant accounting policies (continued):

(j) Use of estimates (continued):

In addition, the Hospital's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

(k) Presentation and disclosure of controlled profit-oriented enterprises:

Upon the dissolution of the Rideau Valley Health Trust (the "Trust") and the disbursement of all property to the Kemptville District Hospital, the Hospital has retained sole control of the Rideau Valley Health Services Ltd in the fiscal year. As a result, the Hospital has elected to account for the investment in the controlled enterprise using the modified equity method.

3. Change in accounting policies:

PS 3280 Asset Retirement Obligations*:*

On April 1, 2021, the Hospital adopted Canadian public sector 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, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to a building owned by the Hospital that contain asbestos. The building was originally built in the 1960s and had undergone several renovations throughout the years. Due to limited information available, the liability was estimated as of April 1, 2021. The useful life of the building and subsequent renovations was estimated to be 40 years post-construction, with 28 years remaining as of April 1, 2021.

4. Investments:

During the year, the Hospital purchased guaranteed investment certificates which mature May 8, 2023 and bear interest at 4.8% (2022 – nil%).

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5. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value (Restated- note 3)
Land	$ 399,685	$ –	$ 399,685	$ 399,685
Land improvements	720,081	612,967	107,114	136,547
Buildings and building service equipment ((c) and (d))	41,152,524	14,127,194	27,025,330	26,425,690
Equipment and equipment under capital lease (c)	17,948,408	12,285,816	5,662,592	1,880,328
Software (c)	2,302,493	1,127,925	1,174,568	50,453
Construction-in-progress	–	–	–	1,667,519
Assets held for sale (b)	–	–	–	115,297
	$ 62,523,191	$ 28,153,902	$ 34,369,289	$ 30,675,519

(a) The restated cost and accumulated amortization as at March 31, 2022 amounted to $57,100,310 and $26,424,791, respectively.

(b) The sale of the assets held for sale closed with net proceeds of $596,090, resulting in a gain of $480,792 (2022 - $Nil). The cost and accumulated amortization of the assets held for sale as at March 31, 2022 amounted to $326,393 and $211,096, respectively.

(c) The health information system project is the implementation of a comprehensive, integrated information system designed to enhance the processing of hospital services. As at March 31, 2022, the cost of the project was included in construction-in-progress. The project went live November 2023 and $5,277,721 has been capitalized. Amortization of $238,585 has been recorded. The cost of the health information system is distributed across buildings and building service equipment, equipment and equipment under capital lease and software.

(d) The cost of buildings and building service equipment includes $3,130,550 related to the estimated asset retirement obligation (note 3).

6. Accounts payable and accrued liabilities:

As at year end, the Hospital had $323,288 (2022 - $219,705) payable for government remittances, including amounts relating to harmonized sales tax and payroll-related taxes.

7. Deferred contributions related to capital assets:

	2023	2022
Balance, beginning of year	$ 27,340,444	$ 26,975,049
Add: contributions received during the year	4,417,563	1,715,413
Less: amortization related to equipment	(621,386)	(477,863)
Less: amortization related to land improvements, buildings, building service equipment and minor equipment	(970,502)	(872,155)
Balance, end of year	$ 30,166,119	$ 27,340,444

8. Employee future benefits:

(a) Extended health care benefits:

The Hospital provides extended health care and dental insurance benefits to its employees and extends this coverage to the post-retirement period. The measurement date used to determine the accrued benefit obligation is March 31, 2023. The most recent actuarial valuation for funding purposes for employee future benefits was completed as at March 31, 2021. The next required funding valuation will be completed as at March 31, 2024.

The Hospital's employee future benefits accrued liability and accrued benefit obligation are as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	$ 525,400	$ 554,300
Current period benefit cost	28,600	30,300
Interest on accrued benefits	20,800	18,100
Benefit payments	(40,200)	(39,500)
Actuarial loss	(7,800)	(37,800)
Balance, end of year	526,800	525,400
Unamortized actuarial losses	234,800	244,800
Employee future benefits liability	$ 761,600	$ 770,200

8. Employee future benefits (continued):

(a) Extended health care benefits (continued):

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

	2023	2022
Discount rate	4.04%	3.89%
Dental cost increases	3.00% for 2021 to 2025	3.00% for 2021 to 2025
Extended healthcare cost escalations, 7% in 2017 decreasing to an ultimate rate of 3.57%	5.57% to an ultimate rate of 3.57%	5.57% to an ultimate rate of 3.57%
Expected average remaining service life of employees	12 years	12 years

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to $796,205 (2022 - $721,300). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain at a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The triennial actuarial valuation of the Plan was prepared as at March 31, 2021. The most recent update to the triennial plan as at March 31, 2023 indicates the Plan is fully funded.

9. Net change in not-cash working capital items:

		2023		2022
Accounts receivable	$	(455,012)	$	204,344
Inventories		15,057		1,934
Prepaid expenses		(388,893)		49,326
Long-term accounts receivable		120,000		100,000
Accounts payable and accrued liabilities		1,228,487		1,056,988
Deferred revenue		(473,297)		100
	$	46,342	$	1,412,692

10. Short-term borrowing:

The Hospital has an operating line of credit to a maximum of $2,000,000 which bears interest at prime minus 0.5%. As at March 31, 2023, the Hospital has drawn $Nil (2022 - $Nil).

11. Related parties:

The Hospital has an economic interest in the Kemptville District Hospital Foundation (the "Foundation") and the Kemptville District Hospital Auxiliary (the "Auxiliary") which are incorporated under the Corporations Act of Ontario. Their objective is to raise, receive, maintain and manage funds and to apply all or part of them and the income derived from them for the development and promotion of the Hospital and the well-being of patients.

Prior to December 29, 2021, the Hospital was related to both Rideau Valley Health Trust (the “Trust”) and Rideau Valley Health Services Ltd. due to its significant influence over both entities by virtue of its ability to appoint 40% of the members of the Trust’s Board.

Effective December 29, 2021, the Kemptville District Hospital was added as a Beneficiary to the Trust with all property to be distributed to the Hospital and subsequently wound up. As a result, as at the effective date, the Hospital became the sole shareholder of the Rideau Valley Health Services Ltd..

(a) Kemptville District Hospital Foundation:

During the year, the Hospital recognized an amount of $178,253 (2022 - $189,230) received from the Foundation, representing a reimbursement of expenses incurred on behalf of the Foundation.

As at March 31, 2023, the Hospital had accounts receivable from the Foundation amounting to $83,934 for general expenses and $250,000 (2022 - $50,363) in donation receivable, and accounts payable to the Foundation amounting to $713 (2022 - $763). The Hospital provides the Foundation with office space without charge.

11. Related parties (continued):

(b) Kemptville District Hospital Auxiliary:

As at March 31, 2023, the Hospital had accounts receivable from the Auxiliary amounting to $11,631 (2022 - $11,987). During the year, the Hospital received an amount of $60,000 (2022 - $60,000) from the Auxiliary.

(c) Rideau Valley Health Services Ltd.:

The Kemptville District Hospital controlled Rideau Valley Health Services Ltd ("RVHS") up until its dissolution March 31, 2023. Prior to discontinuation, RVHS was engaged as an independent contractor to provide services to the Family Health Organization and Specialists Groups. Services included administrative services for their EMR System including billing and maintenance, clinical support to physicians, DI Clinic, Diabetes Education Program and services and equipment to carry on the practice of Medicine. RVHS was incorporated under the Canada Corporations Act with the Hospital being the sole shareholder. RVHS presented its financial results in accordance with Canadian accounting standards for private enterprises.

RVHS ceased operations on October 19, 2022. Stub period financial statements were prepared for RVHS for the 2022-23 Fiscal Year using the October 19, 2022 end date of operations. As at March 31, 2023, all balances are zero in the dissolved entity.

Rideau Valley Health Services Ltd. has not been consolidated in the Hospital's financial statements. Financial summaries of the unconsolidated entity as at March 30, 2023 prior to dissolution and March 31, 2022 and for the periods then ended are as follows:

Rideau Valley Health Services Ltd.
Financial Position

	2023	2022
Total assets (a)	$ –	$ 2,917
Total liabilities (a)	$ –	$ 644,120
Total net assets	–	(641,203)
	$ –	$ 2,917

(a) As at March 31, 2023, the Hospital had accounts receivable from and payable to RVHS of $Nil (2022 - accounts payable of $119,264).

11. Related parties (continued):

(c) Rideau Valley Health Services Ltd. (continued):

Results from Operations

		2023		2022
Total revenues (b)	$	657,601	$	2,083,084
Total expenses		10,527		2,277,751
Excess (deficiency) of revenues over expenses	$	647,074	$	(194,667)

(b) Amounts include services charged to the hospital amounting to $Nil (2022 - $171,347).

Cash Flows

		2023		2022
Total cash flows from (used in) operations	$	2,954	$	(137,407)
Total cash flows from investing activities		–		1,041,497
Total cash flows used in financing activities		(5,871)		(924,926)
Decrease in cash	$	(2,917)	$	(20,836)

(i) Contingent liabilities:

The Hospital was a co-borrower with Rideau Valley Health Services Ltd. on the following credit facilities:

(a) In August of 2021, the bank lease which the Rideau Valley Health Services Ltd. held expired and the full amount of $815,746 owing as at March 31, 2022 was repaid in full and closed.

(b) Rideau Valley Health Services Ltd. had an operating line of credit with a maximum of $650,000 which carried interest at prime. As at March 31, 2023, the Rideau Valley Health Services Ltd. has drawn $Nil (2022 - $620,000) on this line of credit.

(c) Rideau Valley Health Services Ltd. had a business visa card with an available credit limit of $30,000. As at March 31, 2023, there was no outstanding balance against this facility.

12. Asset retirement obligation:

The Hospital owns 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 PS3280 – Asset retirement obligations, the Hospital recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at April 1, 2021. The buildings had an estimated useful life of 40 years post-construction, of which 28 years remain as at April 1, 2021. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

13. Commitments, contingencies and guarantees:

(a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. There were no specific claims noted by management at year-end and any potential claims are covered under the Hospital's insurance policy. No provision has been made for a loss in these financial statements, and any potential claims will not have a material adverse affect on the statement of financial position or results of operations.

(b) To the extent permitted by law, the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

(c) 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 a liability of $529,621 based on subsequent settlement amounts and management's estimate of potential settlement amounts.

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14. Financial risks and concentration of credit risk:

The hospital is subject to the following financial risks from its 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 this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

The Hospital's receivables are primarily with governments, government funding agencies, patients and residents and corporate entities. The Hospital’s largest account receivable from a non-related party is the receivable of $1,339,572 (2022 - $1,848,785) due from the Ottawa Hospital relating to surgical procedures performed. The Hospital believes that its receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. An allowance for doubtful accounts has not been recognized as at the year ended March 31, 2023 (2022 - $nil).

(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.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

The Hospital believes it is not subject to significant interest rate, foreign currency or other price risks arising from its financial instruments.

The Hospital’s financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Hospital’s operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

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15. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic (“COVID-19"), the Ministry of Health (“MOH”) 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 also permitted 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.

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	$ 854,743	$ 1,161,513

In addition to the above, the Hospital has also recognized $nil (2022 - $25,771) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

The claims-based reimbursement process for incremental COVID-19 operating and capital expenses were discontinued effective July 1, 2022. The Hospital continues incremental expense data collection as required by the MOH, for information purposes only. In addition to the discontinuation of COVID-19 funding, there has been increased volatility in funding regulations for healthcare and government entities. This decreases the certainty of future funding to cover legislated payments.

16. Comparative information:

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

KEMPTVILLE DISTRICT HOSPITAL

Additional Information

Year ended March 31, 2023, with comparative information for 2022

Schedule A – Champlain Local Health Integration Network and Ontario Ministry of Health Allocations

	2023	2022
Base allocations	$ 16,712,712	$ 16,358,802
One-time payments	2,247,840	2,529,829
	$ 18,960,552	$ 18,888,631

Schedule B – Other

	2023	2022
Recoveries and miscellaneous revenue	$ 4,369,088	$ 3,868,578
Amortization of deferred contributions related to equipment	619,644	476,121
Other patient services	3,675,813	3,364,483
Room differential and patients' co-payments	213,425	139,833
	$ 8,877,970	$ 7,849,015

Schedule C – Other revenue and expenses

	2023	2022
		(Restated - note 3)
Amortization of land improvements, buildings and building service equipment	$ (1,380,893)	$ (1,382,003)
Amortization of deferred contributions related to land improvements, building and buildings service equipment	970,502	872,155
Realized gain (loss) on sale of investments	(139,332)	143,243
	$ (549,723)	$ (366,605)

KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

Year ended March 31, 2023, with comparative information for 2022

Schedule D – Alternative funding agreement

		2023		2022
				(note 16)
Revenue:				
Contributions – Ontario Ministry of Health	$	2,343,828	$	2,149,250
Interest		–		8,625
		2,343,828		2,157,875
Expenses:				
Medical staff remuneration		2,299,478		2,116,830
Supplies		44,350		41,045
		2,343,828		2,157,875
Excess of revenue over expenses	$	–	$	–

Schedule E – Other funding votes

Interim long-term care beds

		2023		2022
Revenue:				
Contributions – Champlain Local Health Integration Network	$	1,570,694	$	1,304,591
Amortization of deferred contributions related to equipment		1,742		1,742
Patients' co-payments		71,404		77,478
		1,643,840		1,383,811
Expenses:				
Nursing and personal care		1,329,467		1,081,863
Program and support services		189,182		186,999
Raw food		41,308		41,308
Other accommodations		254,836		226,236
Physicians on call		13,332		12,906
Amortization of equipment		2,423		4,369
		1,830,548		1,553,681
Deficiency of revenue over expenses	$	(186,708)	$	(169,870)

KEMPTVILLE DISTRICT HOSPITAL

Property taxes

		2023		2022
Revenue:				
Contributions – Champlain Local Health Integration Network	$	3,900	$	3,900
Expenses:				
Property taxes		3,900		3,900
Excess of revenue over expenses	$	–	$	–

Summary - Schedule E – Other funding votes

		2023		2022
Total revenue	$	1,647,740	$	1,387,711
Total expenses		1,834,448		1,557,581
Deficiency of revenue over expenses	$	(186,708)	$	(169,870)

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