

Financial Statements of

**KEMPTVILLE DISTRICT  
HOSPITAL**

Year ended March 31, 2024

# KEMPTVILLE DISTRICT HOSPITAL

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Year ended March 31, 2024

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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, 2024 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 Vassallo (Jun 27, 2024 22:01 EDT)

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Frank J. Vassallo  
Chief Executive Officer



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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, 2024
- 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
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations, its 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.



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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 14, 2024

# KEMPTVILLE DISTRICT HOSPITAL

## Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 2,974,702	\$ 2,400,612
Short-term investments (note 3)	1,059,562	2,038,843
Accounts receivable (note 13(a))	3,702,667	4,790,194
Inventories	97,279	82,852
Prepaid expenses	593,455	675,413
	<u>8,427,665</u>	<u>9,987,914</u>
Long-term receivable (note 10(a))	1,530,000	–
Capital assets (note 4)	34,555,290	34,369,289
	<u>\$ 44,512,955</u>	<u>\$ 44,357,203</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,700,294	\$ 7,707,436
Term loan (note 9)	2,000,000	–
	<u>7,700,294</u>	<u>7,707,436</u>
Deferred contributions related to capital assets (note 6)	31,489,261	30,166,119
Employee future benefits liability (note 7)	754,600	761,600
Asset retirement obligation (note 11)	3,117,103	3,117,103
	<u>43,061,258</u>	<u>41,752,258</u>
Net assets:		
Invested in capital assets	248,724	1,187,917
Restricted endowment	28,224	28,224
Unrestricted	1,174,749	1,388,804
	<u>1,451,697</u>	<u>2,604,945</u>
Commitments, contingencies and guarantees (note 12)		
	<u>\$ 44,512,955</u>	<u>\$ 44,357,203</u>

See accompanying notes to financial statements.

# KEMPTVILLE DISTRICT HOSPITAL

## Statement of Operations

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

	2024	2023
Revenue:		
Champlain Local Health Integration Network and Ontario Ministry of Health Allocations (Schedule A)	\$ 21,755,872	\$ 18,960,552
Other (Schedules B and D)	8,913,059	8,877,970
Other funding votes (Schedule E)	1,643,035	1,647,740
	<u>32,311,966</u>	<u>29,486,262</u>
Expenses:		
Salaries, wages and purchased services	13,310,334	12,330,474
Employee benefits	3,088,921	2,689,360
Medical staff remuneration	3,980,024	3,880,121
Supplies and other expenses	6,974,306	6,170,401
Medical and surgical supplies	2,333,938	2,273,638
Drugs and medical gases	383,611	344,966
Miscellaneous	20,019	40,714
Bad debts	267,252	49,266
Amortization of equipment	806,237	556,891
Other funding votes (Schedule E)	1,781,693	1,834,448
	<u>32,946,335</u>	<u>30,170,279</u>
Excess (deficiency) of revenue over expenses before undernoted	(634,369)	(684,017)
Other revenue and expenses (Schedule C)	(518,879)	(549,723)
Deficiency of revenue over expenses	<u>\$ (1,153,248)</u>	<u>\$ (1,233,740)</u>

See accompanying notes to financial statements.



# KEMPTVILLE DISTRICT HOSPITAL

## Statement of Changes in Net Assets

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

	Invested in capital assets	Restricted for endowment	Unrestricted	2024 Total	2023 Total
Balance, beginning of year	\$ 1,086,067	\$ 28,224	\$ 1,490,654	\$ 2,604,945	\$ 3,838,685
Deficiency of revenue over expenses	–	–	(1,153,248)	(1,153,248)	(1,233,740)
Capital asset additions	2,580,045	–	(2,580,045)	–	–
Amortization of capital assets	(2,394,044)	–	2,394,044	–	–
Net change in deferred contributions related to capital assets	(1,023,344)	–	1,023,344	–	–
Balance, end of year	\$ 248,724	\$ 28,224	\$ 1,174,749	\$ 1,451,697	\$ 2,604,945

See accompanying notes to financial statements.

# KEMPTVILLE DISTRICT HOSPITAL

## Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (1,153,248)	\$ (1,233,740)
Items which do not involve cash:		
Change in employee future benefits liability	(7,000)	(8,600)
Change in asset retirement obligation	–	(13,447)
Amortization of capital assets	2,394,044	1,940,207
Amortization of deferred capital contributions related to capital assets	(1,556,701)	(1,591,888)
Gain on sale of assets held for sale	–	(480,792)
Realized gains from statement of rereasurement gains and losses	–	–
Change in non-cash operating working capital (note 8)	(2,382,084)	46,342
	(2,704,989)	(1,341,918)
Capital activities:		
Deferred contributions related to capital assets received	2,879,843	4,417,563
Sale of assets held for sale	–	596,090
Net purchase of capital assets	(2,580,045)	(5,749,274)
	299,798	(735,621)
Investing activities:		
Proceeds of term loan	2,000,000	–
Net decrease (increase) in investments	979,281	(2,038,843)
	2,979,281	(2,038,843)
Increase (decrease) in cash	574,090	(4,116,382)
Cash, beginning of year	2,400,612	6,516,994
Cash, end of year	\$ 2,974,702	\$ 2,400,612

See accompanying notes to financial statements.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements

Year ended March 31, 2024

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## 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 10(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.

The Hospital receives funding for operations for certain programs from the Ontario Ministry of Health. The final amount of operating revenue recorded cannot be determined until the Ontario Ministry of Health has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the Ontario Ministry of Health review are recorded in the period in which the adjustments are 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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 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).

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 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 prorated 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, 2024, and the next required valuation will be as of March 31, 2027.

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 14 years (2023 - 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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 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.

## 3. Investments:

During the year, the Hospital purchased two guaranteed investment certificates which mature May 6, 2024 and May 21, 2024, and bear interest at 4.8% and 5.25%, respectively (2023 – 4.8%).

## 4. Capital assets:

	Cost	Accumulated amortization	2024 Net book value
Land	\$ 399,685	\$ –	\$ 399,685
Land improvements	731,492	639,360	92,132
Buildings and building service equipment (b) and (c)	41,975,816	15,683,493	26,292,323
Equipment and equipment under capital lease (b)	19,084,127	13,072,292	6,011,835
Software (b)	2,312,493	1,150,171	1,162,322
Construction-in-progress	596,993	–	596,993
	<b>\$ 65,100,606</b>	<b>\$ 30,545,316</b>	<b>\$ 34,555,290</b>
	Cost	Accumulated amortization	2023 Net book value
Land	\$ 399,685	\$ –	\$ 399,685
Land improvements	720,081	612,967	107,114
Buildings and building service equipment (c) and (d)	41,152,524	14,127,194	27,025,330
Equipment and equipment under capital lease (c)	17,948,408	12,285,816	5,662,592
Software (c)	2,302,493	1,127,925	1,174,568
Construction-in-progress	–	–	–
Assets held for sale	–	–	–
	<b>\$ 62,523,191</b>	<b>\$ 28,153,902</b>	<b>\$ 34,369,289</b>

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 4. Capital assets (continued):

- (a) Cost and accumulated amortization as at March 31, 2023 amounted to \$62,523,191 and \$28,153,902, respectively. During the year, there was a disposal of fully amortized assets of \$2,630.
- (b) 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, 2023, 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.
- (c) The cost of buildings and building service equipment includes \$3,130,550 related to the estimated asset retirement obligation.

## 5. Accounts payable and accrued liabilities:

As at year end, the Hospital had \$199,492 (2023 - \$323,288) payable for government remittances, including amounts relating to harmonized sales tax and payroll-related taxes.

## 6. Deferred contributions related to capital assets:

	2024	2023
Balance, beginning of year	\$ 30,166,119	\$ 27,340,444
Add: contributions received during the year	2,879,843	4,417,563
Less: amortization related to equipment	(490,258)	(621,386)
Less: amortization related to land improvements, buildings, building service equipment and minor equipment	(1,066,443)	(970,502)
Balance, end of year	\$ 31,489,261	\$ 30,166,119

At the end of the year, the hospital had \$359,798 of deferred capital contributions that was unspent.

## 7. 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, 2024. The most recent actuarial valuation for funding purposes for employee future benefits was completed as at March 31, 2024. The next required funding valuation will be completed as at March 31, 2027.



# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 7. Employee future benefits (continued):

### (a) Extended health care benefits (continued):

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

	2024	2023
Accrued benefit obligation:		
Balance, beginning of year	\$ 526,800	\$ 525,400
Arbitration benefit plan change	37,800	-
Current period benefit cost	31,500	28,600
Interest on accrued benefits	23,100	20,800
Benefit payments	(47,300)	(40,200)
Actuarial loss	(301,800)	(7,800)
Balance, end of year	270,100	526,800
Unamortized actuarial losses	484,500	234,800
Employee future benefits liability	\$ 754,600	\$ 761,600

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

	2024	2023
Discount rate	3.95%	4.04%
Dental cost increases	5.00% for 2024 to 2028	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	14 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 \$1,055,768 (2023 - \$879,197). These amounts are included in employee benefits expense in the statement of operations.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 7. Employee future benefits (continued):

### (b) Healthcare of Ontario Pension Plan (continued):

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, 2024. The most recent update to the triennial plan as at March 31, 2024 indicates the Plan is fully funded.

## 8. Net change in non-cash working capital items:

	2024	2023
Accounts receivable	\$ 1,087,527	\$ (455,012)
Inventories	(14,427)	15,057
Prepaid expenses	81,958	(388,893)
Long-term accounts receivable	(1,530,000)	120,000
Accounts payable and accrued liabilities	(2,007,142)	1,228,487
Deferred revenue	–	(473,297)
	<u>\$ (2,382,084)</u>	<u>\$ 46,342</u>

## 9. Short-term borrowing:

The Hospital has an operating line of credit to a maximum of \$2,000,000 which bears interest at prime minus 0.75%. As at March 31, 2024, the Hospital has drawn \$Nil (2023 - \$Nil).

During the year the entity accessed a term loan that is due on demand with interest accruing at 7.75%.

## 10. 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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 10. Related parties (continued):

### (a) Kemptville District Hospital Foundation:

During the year, the Hospital recognized an amount of \$183,898 (2023 - \$178,253) received from the Foundation, representing a reimbursement of expenses incurred on behalf of the Foundation and received an amount of \$570,000 (2023 - \$200,000) in donations from the Foundation.

As at March 31, 2024, the Hospital had accounts receivable from the Foundation amounting to \$44,435 (2023 - \$83,934) for general expenses and \$396,555 (2023 - \$475,000) in donation receivable, and accounts payable to the Foundation amounting to \$653 (2023 - \$713). The Hospital provides the Foundation with office space without charge.

During the year, the Hospital recognized long-term receivable through the foundation from separate agreements signed with the Municipality of North Grenville and the United counties of Leeds and Grenville for \$900,000 each, for a total of \$1,800,000 towards the computerized tomography (CT) own-funds project. As at March 31, 2024, \$90,000 was received, and \$180,000 is presented in current assets under accounts receivable. The payments are spread out over 10 years, with 9 years remaining on the county's agreement and 10 years on the Municipality's.

### (b) Kemptville District Hospital Auxiliary:

As at March 31, 2024, the Hospital had accounts receivable from the Auxiliary amounting to \$23,493 (2023 - \$11,631). During the year, the Hospital has donations receivable in the amount of \$118,338 (2023 - \$60,000) from the Auxiliary.

## 11. 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.

## 12. 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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 12. Commitments, contingencies and guarantees (continued):

- (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.

## 13. 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 \$ \$849,213 (2023 - \$1,339,572) 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, 2024 (2023 - \$Nil).

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 13. Financial risks and concentration of credit risk (continued):

### (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.

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

### (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.

## 14. Ministry of Health pandemic funding:

In connection with the 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. The majority of these programs have been discontinued in fiscal year 2023-24.

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.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 14. Ministry of Health pandemic funding (continued):

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:

	2024	2023
Funding for incremental COVID-19 operating expenses	\$ –	\$ 854,743

In addition to the above, the Hospital has also recognized \$Nil (2023 -\$Nil) 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.

## 15. Impact of Bill 124 Arbitration and Repeal on Revenue and Expense Recognition:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. This legislation had limited annual salary increases for all healthcare workers, both unionized and non-unionized, to 1% per annum. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. During the year, the Hospital paid a total of \$2,749,133 in retroactive wage adjustments and in year adjustments to active and historical employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amount of salaries and wages.

During the 2022-23 fiscal year, Kemptville District Hospital accrued substantial expenses amounting to \$599,793 in anticipation of retroactive salary payments mandated by arbitration awards following the declaration that Ontario's Bill 124 was unconstitutional.

# KEMPTVILLE DISTRICT HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 15. Impact of Bill 124 Arbitration and Repeal on Revenue and Expense Recognition (continued):

Due to the uncertainties surrounding the outcomes of these arbitrations and the timing of any governmental response, the Hospital did not accrue any corresponding revenue reimbursements from the Ministry of Health (MOH) or Ontario Health during the 2022-23 fiscal year. The MOH has provided the Hospital with funding to offset a portion of the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024 amounting to \$2,147,583.

In the current fiscal year (2023-24), subsequent to additional arbitrations and the formal repeal of Bill 124 on February 12, 2024, Kemptville District Hospital was required to implement retroactive salary adjustments for employee groups that had not previously received retroactive payments through arbitration prior to the repeal.

The table below outlines the payments made and revenue received, highlighting the impact on the Hospital's reported financial results:

	2024	2023
Revenue recognized from MOH and Ontario Health	\$ 2,147,583	\$ –
Total Expenses recognized in year for Bill 124	(2,749,133)	–
Accrued expenses/reversal for Bill 124 retroactive payments	599,794	(599,794)
Net impact on reported deficit	\$ (1,756)	\$ (599,794)

## 16. Implementation of new accounting standard:

### *PS 3400 Revenue*

On April 1, 2023, the Hospital adopted Public Sector Accounting Standard PS 3400 – *Revenue*. This new 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 adjustments in these financial statements.

## 17. Comparative information:

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.

# KEMPTVILLE DISTRICT HOSPITAL

## Additional Information

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

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

	2024	2023
Base allocations	\$ 17,540,360	\$ 16,712,712
One-time payments	4,215,512	2,247,840
	<u>\$ 21,755,872</u>	<u>\$ 18,960,552</u>

### Schedule B – Other

	2024	2023
Recoveries and miscellaneous revenue	\$ 4,737,765	\$ 4,369,088
Amortization of deferred contributions related to equipment	487,930	619,644
Other patient services	3,599,272	3,675,813
Room differential and patients' co-payments	88,092	213,425
	<u>\$ 8,913,059</u>	<u>\$ 8,877,970</u>

### Schedule C – Other revenue and expenses

	2024	2023
Amortization of land improvements, buildings and building service equipment	\$ (1,585,322)	\$ (1,380,893)
Amortization of deferred contributions related to land improvements, building and buildings service equipment	1,066,443	970,502
Realized gain (loss) on sale of investments		(139,332)
	<u>\$ (518,879)</u>	<u>\$ (549,723)</u>



# KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

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

## Schedule D – Alternative funding agreement

	2024	2023 (note 15)
Revenue:		
Contributions – Ontario Ministry of Health	\$ 2,274,459	\$ 2,343,828
Interest	–	–
		2,343,828
Expenses:		
Medical staff remuneration	2,253,385	2,299,478
Supplies	21,074	44,350
	2,274,459	2,343,828
Excess of revenue over expenses	\$ –	\$ –

## Schedule E – Other funding votes

### Interim long-term care beds

	2024	2023
Revenue:		
Contributions – Champlain Local Health Integration Network	\$ 1,567,398	\$ 1,570,694
Amortization of deferred contributions related to equipment	2,328	1,742
Patients' co-payments	69,409	71,404
	1,639,135	1,643,840
Expenses:		
Nursing and personal care	1,323,162	1,329,467
Program and support services	59,104	189,182
Raw food	41,308	41,308
Other accommodations	338,534	254,836
Physicians on call	13,200	13,332
Amortization of equipment	2,485	2,423
	1,777,793	1,830,548
Deficiency of revenue over expenses	\$ (138,658)	\$ (186,708)

# KEMPTVILLE DISTRICT HOSPITAL

Additional Information (continued)

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

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Property taxes

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	2024	2023
Revenue:		
Contributions – Champlain Local Health Integration Network	\$ 3,900	\$ 3,900
Expenses:		
Property taxes	3,900	3,900
Excess of revenue over expenses	\$ –	\$ –

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Summary – Schedule E – Other funding votes

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	2024	2023
Total revenue	\$ 1,643,035	\$ 1,647,740
Total expenses	1,781,693	1,834,448
Deficiency of revenue over expenses	\$ (138,658)	\$ (186,708)

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# 2024-03-31 Kemptville District Hospital wFS

Final Audit Report

2024-06-28

Created:	2024-06-28
By:	Brittany Rivard (brivard@kdh.on.ca)
Status:	Signed
Transaction ID:	CBJCHBCAABAAxHC2iQdy71UIsMSxJgJksMQ02ghh8ig

## "2024-03-31 Kemptville District Hospital wFS" History

-  Document created by Brittany Rivard (brivard@kdh.on.ca)  
2024-06-28 - 0:04:57 AM GMT
-  Document e-signed by Brittany Rivard (brivard@kdh.on.ca)  
Signature Date: 2024-06-28 - 0:05:54 AM GMT - Time Source: server
-  Document emailed to fvassallo@kdh.on.ca for signature  
2024-06-28 - 0:05:55 AM GMT
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-  Signer fvassallo@kdh.on.ca entered name at signing as Frank Vassallo  
2024-06-28 - 2:01:44 AM GMT
-  Document e-signed by Frank Vassallo (fvassallo@kdh.on.ca)  
Signature Date: 2024-06-28 - 2:01:46 AM GMT - Time Source: server
-  Agreement completed.  
2024-06-28 - 2:01:46 AM GMT