Financial Statements of

ALMONTE GENERAL HOSPITAL

And Independent Auditor's Report thereon

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Almonte General Hospital

Opinion

We have audited the financial statements of Almonte General 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 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.

Emphasis of Matter – Restatement of financial statements

We draw attention to Note 16 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 16 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 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 27, 2023

ALMONTE GENERAL HOSPITAL

Statement of Financial Position

March 31, 2023, with comparative information 2022
(In thousands of dollars)

		2023		2022 (restated -note 16)
Assets				
Current assets:				
Cash	$	2,918	$	3,047
Accounts receivable		3,906		2,280
Inventory of supplies		301		301
Prepaid expenses		472		409
		7,597		6,037
Amount receivable – insurance proceeds (note 3)		533		–
Capital assets (note 3)		25,833		26,924
	$	33,963	$	32,961
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	10,747	$	7,147
Current portion of long-term debt (note 4)		1,207		1,177
		11,954		8,324
Long-term liabilities:				
Long-term debt (note 4)		6,676		7,703
Deferred capital contributions (note 5)		13,964		14,075
Employee future benefits (note 6)		1,315		1,308
Interest rate swap contracts (note 7)		89		298
Asset retirement obligations (note 8)		2,300		2,300
		24,344		25,684
Net assets (deficiency):				
Invested in capital assets (note 9(a))		1,686		1,669
Unrestricted deficiency		(3,932)		(2,418)
		(2,246)		(749)
Accumulated remeasurement losses		(89)		(298)
		(2,335)		(1,047)
Contingencies (note 12)				
	$	33,963	$	32,961

See accompanying notes to financial statements.

On behalf of the Board:

Director

Carol Anne Fernand

Director

ALMONTE GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

		2023		2022
Revenue:				
Ministry of Health	$	17,044	$	16,382
Ministry of Long-Term Care		7,799		7,561
Paramedic contract revenue (note 2)		12,077		10,115
Preferred accommodation differential		2,864		2,701
Other		3,151		2,392
Amortization of deferred capital contributions related to equipment		584		629
Patient		725		672
Co-payment		204		190
Investment income		92		26
		44,540		40,668
Expenses:				
Salaries and wages		20,782		18,297
Paramedic contract expenses (note 2)		12,077		10,115
General supplies and expenses		5,957		6,352
Employee benefits (note 6)		3,961		3,734
Medical staff remuneration		955		881
Amortization of equipment		652		650
Medical and surgical supplies		885		830
Drugs and medical gases		433		429
		45,702		41,288
Operating loss		(1,162)		(620)
Other income (expense):				
Amortization of deferred capital contributions related to buildings		645		629
Change in employee future benefits liability		(7)		(7)
Interest expense		(335)		(376)
Amortization of buildings and land improvements		(1,188)		(1,209)
Operating pressures funding - Ministry of Health (note 14)		550		425
		(335)		(538)
Deficiency of revenue over expenses	$	(1,497)	$	(1,158)

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	Unrestricted	Invested in capital assets	2023 Total	2022 Total
				(restated -Note 16)
Net assets (deficiency), beginning of year, previously reported	$ (2,418)	$ 3,969	$ 1,551	$ 2,709
Adjustment on adoption of asset retirement obligation standard (note 16)	–	(2,300)	(2,300)	(2,300)
Net assets (deficiency), beginning of year, restated	(2,418)	1,669	(749)	409
Deficiency of revenue over expenses	(1,497)	–	(1,497)	(1,158)
Net change in invested in capital assets (note 9(b))	(17)	17	–	–
Balance, end of year	$ (3,932)	$ 1,686	$ (2,246)	$ (749)

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (1,497)	$ (1,158)
Items not involving cash:		
Amortization of deferred capital contributions	(1,229)	(1,258)
Amortization of capital assets	1,840	1,859
Accrued employee future benefits	7	7
Net change in non-cash working capital items (note 10)	1,911	3,341
	1,032	2,791
Capital activities:		
Acquisition of capital assets	(1,282)	(902)
Increase in deferred capital contributions	1,118	878
	(164)	(24)
Financing activities:		
Proceeds from long-term debt	200	–
Repayment of long-term debt	(1,197)	(920)
	(997)	(920)
Net (decrease) increase in cash	(129)	1,847
Cash, beginning of year	3,047	1,200
Cash, end of year	$ 2,918	$ 3,047
Cash consists of:		
Cash in bank	$ 2,986	$ 4,173
Less: outstanding items	(68)	(1,126)
Cash	$ 2,918	$ 3,047

See accompanying notes to financial statements.

ALMONTE GENERAL HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

		2023		2022
Accumulated remeasurement losses, beginning of year	$	(298)	$	(777)
Unrealized gains attributable to:				
Interest rate swap contracts		209		479
Accumulated remeasurement losses, end of year	$	(89)	$	(298)

See accompanying notes to financial statements.

The Almonte General Hospital (the "Hospital") is incorporated without share capital under the Corporations Act of Ontario. The organization operates as a general hospital, as a long-term care facility and provides Paramedic service. The Hospital is a registered charity and is exempt from income tax under paragraph 149(1) of the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 series of 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 government not-for-profit organizations.

(b) Revenue recognition:

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Ministry of Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis at rates corresponding to those of the related capital assets.

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

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition.

Derivative instruments and equity instruments that are quoted in an active market are subsequently reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value.

Unrealized changes in fair value are recognized in deferred contributions until they are realized, when they are transferred to the statement of operations.

1. **Significant accounting policies (continued):**

(c) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate 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 deferred contributions.

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

The Hospital uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see note 7 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

The Hospital uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

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

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

A statement of remeasurement gains and losses is not presented in these financial statements as the Hospital does not have financial instruments requiring remeasurement.

1. Significant accounting policies (continued):

(d) Inventory of supplies:

Inventory of supplies is stated at the lower of cost (which is determined using the average cost basis) and replacement value.

(e) Capital assets:

The Hospital capitalizes the cost of all additions to buildings, major renovations and major equipment that have an expected useful life of five years or longer. When capital assets are disposed of, the cost of the asset and the related accumulated amortization are removed from the books and the resulting gain or loss on disposal, if significant, is included in net assets on the statement of financial position. Costs of construction in progress are capitalized. Amortization is not recognized until construction is complete and the assets are ready for productive use.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When a capital asset no longer contributes to the Hospital's ability to provide services, the carrying amount is written down to its residual value. The Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

The capital assets are amortized on a straight-line basis over their expected useful life as follows:

Asset	Years
Land improvements	20
Building - Hospital	40
Building - District Health Unit	20
Building - Service equipment	20 to 40
Major equipment	5 to 20

(f) Deferred capital contributions:

Deferred capital contributions relate to the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

1. Significant accounting policies (continued):

(g) Asset retirement obligations

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

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

The liability for the removal of asbestos in the buildings 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.

Actual remediation costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

(h) Employee future benefits:

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, 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.

The Hospital provides future benefits for substantially all retirees and employees. These future benefits include extended health care, dental care, and life insurance benefits. These benefit plans are un-funded.

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences, and other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2023, and the next required valuation will be as of March 31, 2026.

1. **Significant accounting policies (continued):**

(h) Employee future benefits (continued):

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

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The costs of multi-employer defined contribution pension plan benefits, such as the Healthcare of Ontario Pension Plan (HOOPP), are the employer's contributions due to the plan in the period.

(i) 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. In particular, the assumptions underlying the employee future benefits and asset retirement obligations contain significant estimates. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

In addition, the Hospital’s implementation of PS 3280 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 asset retirement costs, as well as the timing and duration of these retirement costs.

(j) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to the benefit of the Hospital. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(In thousands of dollars unless otherwise noted)

1. Significant accounting policies (continued):

k) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is a non-monetary exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Lanark County Paramedic Service:

Effective September 1, 2000, the Hospital became the sponsoring agent for the Lanark County Paramedic Service in return for an administration fee. The funding for the Paramedic Service is provided by Lanark County, to whom the Hospital provides regular financial reporting.

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 118	$ –	$ 118	$ 118
Land improvements	192	164	28	32
Buildings and service equipment	41,944	20,238	21,706	23,186
Major equipment	16,421	12,440	3,981	3,588
	$ 58,675	$ 32,842	$ 25,833	$ 26,924

Cost and accumulated amortization as at March 31, 2022, amounted to $55,898 and $28,974, respectively.

(a) Write-off of building due to fire

On March 31, 2023, a fire occurred in the ambulance base building owned by the Hospital. The building, which had cost of $805 and accumulated amortization of $272 was written off from capital assets. The net book value of $533 was recorded in long-term amounts receivable as the building is covered under the Hospital’s insurance plan and the Hospital is uncertain as to the timing of receipt of the insurance proceeds. Any additional insurance proceeds received above the amount receivable will be recognized in the year received.

(In thousands of dollars unless otherwise noted)

3. Capital assets (continued):

(b) Asset retirement obligations (continued):

The buildings impacted by the implementation of new accounting standard PS 3280 Asset Retirement Obligations effective April 1, 2021 were fully amortized. Therefore, the recognition of the asset retirement obligation of $2,300 included a corresponding increase to the building's cost and accumulated amortization of $2,300 with no impact on net book value.

4. Long-term debt:

	2023	2022
The long-term debt related to the construction of the New Fairview Manor is due to the Bank of Montreal, repayable at approximately $33 per month including interest at prime less one-half percent, with an effective fixed rate of 4.84% achieved through the interest rate swap contract, due September 2027.	$ 3,105	$ 3,761
The long-term debt related to the construction of the Almonte Ambulance Base is due to Bank of Montreal, repayable at approximately $5 per month including interest at 3.51%, originally due November 2019. Principal payments were postponed for 24 months, blended principal payments and interest payments were reinstated on January 1, 2022 with amortization date extended to November 30, 2029. Interest only payments were made until December 31, 2021.	401	456
The long-term debt related to the renovation of 95 Spring Street is due to the Royal Bank, repayable at approximately $23 per month including interest at 4.33%, due January 2032.	2,066	2,253
The long-term debt related to the financing of software and equipment is due to the Bank of Montreal, repayable at approximately $33 per month including interest at 2.37%, due January 2026. Principal payments are postponed for 24 months, blended principal payments and interest payments to be reinstated on January 1, 2022 with amortization date extended to November 30, 2029. Interest only payments were made until December 31, 2021.	2,116	2,410
The long-term debt related to the renovation of 95 Spring Street is due to the Bank of Montreal, repayable at approximately $2 per month including interest at 5.25%, due November 2032.	195	–
	7,883	8,880
Less: current portion	1,207	1,177
	$ 6,676	$ 7,703

(In thousands of dollars unless otherwise noted)

4. Long-term debt (continued):

The Hospital is committed to annual principal and interest payments over the next five fiscal years and thereafter approximately as follows:

2024	$ 1,207
2025	1,257
2026	1,309
2027	1,359
2028	970
Thereafter	1,781
	$ 7,883

5. Deferred capital contributions:

	2023	2022
Balance, beginning of year	$ 14,075	$ 14,455
Add: contributions received during the year	1,118	878
Less: amounts amortized to revenue	(1,229)	(1,258)
Balance, end of year	$ 13,964	$ 14,075

6. Employee future benefits:

(a) Health, dental and life insurance plans:

The Hospital provides extended health care, dental care, and life insurance benefits for certain of its retired employees. These defined benefit plans are not funded. The Hospital made total cash payments to the beneficiaries of its unfunded employee benefit plan of $79 in 2023 (2022 - $80).

The Hospital measures its accrued employee future benefit liability as at March 31 of each year. The most recent actuarial valuation of the plan was as of March 31, 2020 and the next required valuation will be as of March 31, 2023.

	2023	2022
Accrued benefit liability, beginning of year	$ 1,308	$ 1,301
Current service cost	60	65
Interest cost	40	36
Amortization of actuarial loss	(14)	(14)
Benefits paid	(79)	(80)
Accrued benefit liability, end of year	$ 1,315	$ 1,308

(In thousands of dollars unless otherwise noted)

6. Employee future benefits (continued):

(a) Health, dental and life insurance plans (continued):

	2023	2022
Accrued benefit obligations	$ 1,056	$ 1,047
Unamortized actuarial gain	259	261
Accrued benefit liability	$ 1,315	$ 1,308

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

	2023	2022
Discount rate	4.04%	3.89%
Initial health care cost trend rate	5.00%	5.65%
Health care cost trend declines to	3.75%	4.00%
Year that the rate reaches the rate it is assumed to remain at	2040	2040
Dental cost increase	4.00%	4.00%
Expenses - Life	10.00%	10.00%

(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 $2,084 (2022 - $1,899). 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 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 most recent triennial actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is fully funded.

7. Interest rate swap contracts:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

The Hospital has entered into interest rate swap agreements to manage the volatility of interest rates. The Hospital has converted a net notional $13 million of floating rate long-term debt related to construction projects (note 4). The fixed rates received under the interest rate swaps range from 3.00% to 4.59%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt ranging from 2023 to 2032.

The interest rate swaps have unrealized accumulated losses of $89 (2022 - $298) which are recorded on the statement of financial position as at March 31, 2023. The current year impact of the change in fair value of the interest rate swap is a decrease of accumulated remeasurement gain of $209 (2022 - $479).

The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

8. Asset retirement obligations

The Hospital owns and operates buildings that are known to have asbestos, which represents a health hazard upon demolition of the buildings and there is a legal requirement to eventually remove or remediate. Following the adoption of PS 3280 Asset Retirement Obligations effective April 1, 2021, the Hospital recognized an obligation of $2,300 relating to the removal and post-removal care of the asbestos in these buildings. The buildings were fully amortized at April 1, 2021.

The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any other soil contaminants in accordance with current legislation. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

(In thousands of dollars unless otherwise noted)

9. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2023	2022
Capital assets	$ 25,833	$ 26,924
Less amounts financed by:		
Deferred capital contributions	(13,964)	(14,075)
Long-term debt	(7,883)	(8,880)
Asset retirement obligations	(2,300)	(2,300)
	$ 1,686	$ 1,669

(b) The net change in invested in capital assets is calculated as follows:

	2023	2022
Acquisition of capital assets	$ 1,282	$ 902
Write-off of building due to fire	(533)	–
Amounts funded by deferred capital contributions	(1,118)	(878)
Amounts funded by long-term debt	(200)	–
Repayment of long-term debt	1,197	920
Amortization of capital assets	(1,840)	(1,859)
Amortization of deferred capital contributions	1,229	1,258
	$ 17	$ 343

10. Net change in non-cash working capital items:

	2023	2022
Accounts receivable	$ (1,626)	$ 2,580
Inventory of supplies	–	19
Prepaid expenses	(63)	51
Accounts payable and accrued liabilities	3,600	691
	$ 1,911	$ 3,341

11. Related party transactions:

(a) Mississippi River Health Alliance

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

During the year ended March 31, 2023, the Hospital charged CPDMH $1,099 (2022 - $833) for administrative services. As at March 31, 2023, of these administrative services, $119 are receivable (2022 - $45).

During the year ended March 31, 2023, CPDMH charged the Hospital $522 (2022 - $306) for administrative services. As at March 31, 2023, of these administrative services, $166 are payable (2022 - $100).

These transactions are recorded at cost.

(b) Economic interest

The Hospital is related to the Almonte General Hospital Foundation, the Volunteer Services Committee and the Fairview Manor Auxiliary by virtue of their economic interest with these entities.

(i) The Almonte General Hospital Foundation raises funds to support the Hospital. The Foundation is a separate entity and reports to its own board. Included in accounts receivable is an amount of $277 (2022 - $110) due from the Foundation. This represents the net of salaries, employee benefits and supplies paid by the Hospital on behalf of the Foundation during the fiscal year less cash transfers, employee contributions and capital grants provided by the Foundation.

During the year, the Foundation contributed $565 (2022 - $252) towards Almonte General Hospital purchases of capital assets.

(ii) The Almonte General Hospital Volunteer Services Committee and the Fairview Manor Auxiliary raise funds through various activities, such as the gift shop, bake sales and raffles. Funds are used to support Hospital and Fairview Manor programs and to purchase equipment for the Hospital and the Fairview Manor.

12. Contingencies:

(a) Legal matters and litigation:

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

(b) Healthcare Insurance Reciprocal of Canada:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No such assessments were required during the year ended March 31, 2023.

(c) Employment matters:

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

(d) Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court’s decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The hospital has recorded liabilities based on subsequent settlement amounts and management’s estimate of potential settlement amounts.

13. Financial risks:

The Hospital is subject to the following 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, investments, 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 with governments, government funding agencies, patients and residents and corporate entities. The Hospital believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established.

(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 has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. It remains uncertain whether the Ministry of Health will directly fund this expense. The Hospital has sufficient financial arrangements in place including an operating line of credit of $1,000 to settle this one-time obligation in the short-term.

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

13. Financial risks (continued):

(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 monitors market risk by adhering to a Board-approved investment policy.

(i) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its bank loans and term debt.

The Hospital mitigates interest rate risk on certain of its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the debt for a fixed rate (see note 7). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

(ii) Currency and other price risk:

The Hospital believes it is not subject to significant currency or other price risk from its financial instruments as it holds insignificant amounts in foreign currencies and does not hold investments traded in an active market.

Other than liquidity risk disclosed above, the Hospital’s financial risks arising from its financial instruments have not changed significantly in the year. Management believes that its financial risks are appropriately mitigated and do not pose a 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.

(In thousands of dollars unless otherwise noted)

14. Ministry of Health and Ministry of Long-Term Care pandemic funding:

In connection with the ongoing coronavirus pandemic (COVID-19), MOH and MLTC have announced a number of funding programs intended to assist hospitals and long-term care homes with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH and MLTC have 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 and MLTC have 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 and MLTC revenue for COVID-19 is based on the most recent guidance provided by MOH and MLTC, 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. Any adjustments to Management's estimate of MOH and MLTC revenues will be reflected in the Hospital's financial statements in the year of settlement.

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

Ministry of Health:

Funding for incremental COVID-19 operating expenses	$ 379
Funding for COVID Assessment Centre Ontario Health	209
Funding for Nurses Retention Incentive	143
Funding for Temporary Wage Enhancement	38
	$ 769

Ministry of Long-Term Care:

Funding for incremental COVID-19 operating expenses	$ 344
Funding for Temporary Wage Enhancement	394
Funding for revenue losses resulting from COVID-19	4
Funding for Infection Prevention and Control	32
Funding for Nurses Retention Incentive	53
	$ 827

15. Ministry of Health financial and operating pressures funding:

During the year, the Hospital received $550 (2022 - $425) of one-time funding to support operating pressures affecting existing programs and services and was not used for new programs or expansions to existing programs.

16. Implementation of new accounting standard:

On April 1, 2021, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, the Hospital recognized an asset retirement obligation of $2,300 relating to buildings owned by the Hospital that contain asbestos. The buildings had an expected useful life of 40 years and were fully amortized as at April 1, 2021.

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

- Recording an asset retirement obligation liability of $2,300, representing management's best estimate of the current obligation
- An increase of $2,300 in the cost and accumulated amortization balances of the buildings, and
- A decrease in opening net assets invested in capital assets of $2,300.

The comparative information has been restated for comparative purposes resulting in an increase of liabilities and a decrease in net assets invested in capital assets of $2,300.

17. Comparative information:

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