

Financial Statements of

**CAMBRIDGE
MEMORIAL HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2024
(Expressed in thousands of dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cambridge Memorial Hospital

Opinion

We have audited the financial statements of Cambridge Memorial Hospital (the Hospital), 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 Hospital as at March 31, 2024, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Kitchener, Canada

June 20, 2024

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 82,817	\$ 83,456
Due from Ontario Ministry of Health ("MOH") (note 3)	7,549	8,317
Other receivables	4,616	4,354
Inventories	2,865	2,483
Prepaid expenses	2,458	2,879
	<u>100,305</u>	<u>101,489</u>
Due from MOH (note 3)	3,243	3,243
Due from CMH Volunteer Association	475	817
Restricted cash (note 4)	29,359	22,159
Special purpose funds restricted cash (note 5)	206	194
Capital assets (note 6)	296,132	276,999
	<u>\$ 429,720</u>	<u>\$ 404,901</u>
Liabilities and Net Assets		
Current liabilities:		
Due to MOH	\$ 5,774	\$ 10,516
Accounts payable and accrued liabilities	40,655	39,599
Deferred revenue	32,449	32,379
	<u>78,878</u>	<u>82,494</u>
Capital redevelopment construction payable	4,035	2,428
Accrued benefit liability (note 7)	4,223	4,203
Deferred capital contributions (note 8)	284,783	270,121
Asset retirement obligation (note 9)	2,810	2,377
	<u>374,729</u>	<u>361,623</u>
Net assets:		
Unrestricted	17,204	14,792
Externally restricted special purpose funds (note 5)	206	194
Internally restricted special purpose funds (notes 5 and 10)	37,581	28,292
	<u>54,991</u>	<u>43,278</u>
Commitments (note 11)		
Contingencies (note 12)		
	<u>\$ 429,720</u>	<u>\$ 404,901</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Operations
(Expressed in thousands of dollars)

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

	2024	2023
Revenue:		
MOH operating funding	\$ 172,046	\$ 154,436
Billable patient services	15,187	15,668
Recoveries and miscellaneous revenue	16,379	13,465
Program specific funding	3,681	3,910
MOH recoveries	2,216	2,090
Amortization of deferred capital contributions - equipment (note 8)	3,888	3,527
Interest income	3,867	2,285
	<u>217,264</u>	<u>195,381</u>
Expenses:		
Salaries and wages	92,991	86,194
Medical staff remuneration	21,280	22,602
Employee benefits	24,424	20,785
Supplies and other expense	28,437	26,621
Medical and surgical supplies	13,891	11,841
Drugs and medical gases	12,242	9,737
Program specific expenses	3,681	3,910
Amortization - equipment	6,830	6,194
	<u>203,776</u>	<u>187,884</u>
Excess of revenue over expenses before undernoted	13,488	7,497
Amortization of deferred contributions - building (note 8)	5,802	5,884
Amortization - building	(7,589)	(7,573)
Excess of revenue over expenses	<u>\$ 11,701</u>	<u>\$ 5,808</u>

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Changes in Net Assets
(Expressed in thousands of dollars)

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

	Unrestricted	Externally restricted special purpose funds	Internally restricted special purpose funds (note 10)	2024 Total	2023 Total
Balance, beginning of year	\$ 14,792	\$ 194	\$ 28,292	\$ 43,278	\$ 37,463
Excess (deficiency) of revenue over expenses	16,430	–	(4,729)	11,701	5,808
Investment in restricted special purpose funds (note 10 (c))	(14,018)	12	14,018	12	7
Balance, end of year	\$ 17,204	\$ 206	\$ 37,581	\$ 54,991	\$ 43,278

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Cash Flows
(Expressed in thousands of dollars)

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

	2024	2023
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	\$ 11,701	\$ 5,808
Items not involving cash:		
Amortization of capital assets	14,419	13,767
Amortization of deferred grants and donations	(9,680)	(9,411)
Change in employee future benefits (note 7)	20	85
Change in non-cash operating working capital (note 13)	(2,647)	9,262
	13,813	19,511
Investing:		
Acquisition and construction of capital assets	(33,552)	(28,165)
Capital redevelopment construction payable	1,607	1,314
	(31,945)	(26,851)
Financing:		
Change in non-cash capital accounts receivable	341	1,172
Capital donations and grants, net of capital accounts receivable	24,352	32,276
	24,693	33,448
Increase in cash	6,561	26,108
Cash, beginning of year	105,615	79,507
Cash, end of year	\$ 112,176	\$ 105,615

Cash consists of the following:

Cash	\$ 82,817	\$ 83,456
Restricted cash	29,359	22,159
	\$ 112,176	\$ 105,615

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

The Cambridge Memorial Hospital (the "Hospital") is incorporated without share capital under the Corporations Act (Ontario). The Hospital is an acute care community hospital providing patient focused care to the residents of Cambridge, North Dumfries and surrounding areas as part of an integrated healthcare system.

The Hospital is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as an organization registered under the Act, the Hospital must meet certain requirements within the Act.

Under the Health Insurance Act and Regulations thereto, the Hospital is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health (the "Ministry" or "MOH") and Ontario Health. The financial statements reflect agreed funding arrangements approved by the Ministry. The Hospital has entered into an accountability agreement with the Ontario Health West which requires that the Hospital meet certain financial and non-financial performance indicators.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2024 and 2023. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

a) Basis of presentation:

These financial statements do not include the activities of the following non-controlled affiliated entities:

(i) Cambridge Memorial Hospital Foundation:

The Foundation raises funds to support capital projects and equipment needs of the Hospital.

(ii) Cambridge Memorial Hospital Volunteer Association:

The Volunteer Association supports the volunteer programs directed by the Volunteer Association of the Hospital and raises funds for the support of the Hospital.

The financial information of these entities is reported separately from the Hospital.

b) Inventories:

Inventories are valued at the lower of average cost and replacement value. Provisions are made for any obsolete or unusable inventory on hand.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The Hospital records amortization of its capital assets on a straight-line basis over the estimated useful life of the asset at the following annual rates:

Land improvements	2 - 25 years
Building	10 - 40 years
Equipment	3 - 20 years

No amortization is recorded on capital projects in progress.

d) Revenue recognition:

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

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOH. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2024.

To the extent which MOH funding has been received with the stipulated requirement that the Hospital provide specific services, for example, provide a contracted volume of service, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent. In the event that the services are not performed in accordance with the funding requirements, the funds received in excess of monies spent could be recovered by the MOH.

Revenue from patients and other sources is recognized as the services are performed, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

e) Employee future benefits:

(i) Multi-employer plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Hospitals of Ontario Pension Plan ("HOOPP") for which the Hospital does not have the necessary information to apply defined benefit plan accounting. The costs of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

(ii) Defined benefit plan:

The Hospital accrues its obligations under employee defined benefit dental and health care plans, and the related costs as the employees render the services necessary to earn the future benefits. The Hospital offers the plan to five groups of employees as described in note 7.

The cost of the accrued benefit obligations for retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages and expected health care costs.

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

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 defined benefit dental and health care plan is 14 years.

f) Deferred capital contributions:

Capital grants and donations received by the Hospital are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate for the related assets purchased.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

g) Measurement uncertainty:

The preparation of 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 dates 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 carrying amount of accrued benefit liability, capital assets, asset retirement obligations, accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

The amount of revenue recognized from the Ministry and the Ontario Health requires some estimation. The Hospital has entered into accountability agreements that set out rights and obligations of the parties in respect of funding provided to the Hospital by the Ontario Health West for the year ended March 31, 2024. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and the Ontario Health may have the right to adjust funding received. Neither the Ministry nor the Ontario Health are required to communicate certain funding adjustments until after submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry/ Ontario Health funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The MOH, through the Ontario Health, has implemented a provincial funding model using the Growth and Efficiency Model ("GEM"), Quality Based Procedures ("QBP"), Post Construction Operating Plan ("PCOP"), and Global funding. The result of utilizing this model has led to some funding uncertainty due to a focus on efficiency and outcomes, driven by rates and service levels.

h) Contributed services:

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

i) 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 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.

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.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

i) 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 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.

Long-term payables are recorded at cost.

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
- 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

As at March 31, 2024, all financial assets of the hospital are held as cash and, as a result, are categorized as level 1.

j) 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 capital asset and other contract obligations under lease agreements;
- 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.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

j) Asset retirement obligations (continued):

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

A liability has been recognized based on estimated future expenses on retirement of the capital assets and leased assets. 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.

2. Change in accounting standards:

The Hospital adopted the following accounting standards applicable for fiscal years beginning April 1, 2023:

- a) PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.
- b) PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.
- c) PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact on financial statements of the Hospital as a result of the adoption of these standards.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

3. Due from Ontario Ministry of Health:

	2024	2023
Operating	\$ 7,549	\$ 8,317
Capital:		
Capital redevelopment project	3,243	3,243
	\$ 10,792	\$ 11,560

4. Restricted cash:

Restricted cash consists of funds advanced by the MOH and the Cambridge Memorial Hospital Foundation for the following:

	2024	2023
Capital redevelopment project	\$ 25,985	\$ 21,617
Hospital Infrastructure Renewal Fund	3,374	542
	\$ 29,359	\$ 22,159

5. Special purpose funds:

a) Externally restricted special purpose funds:

The net assets include \$206 (2023 - \$194) designated for specific purposes.

b) Internally restricted special purpose funds:

The net assets include \$37,581 (2023 - \$28,292) invested in capital assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

6. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,632	\$ –	\$ 4,632	\$ 4,632
Land improvements	1,257	972	285	292
Buildings	260,867	67,390	193,477	199,343
Equipment	99,460	74,663	24,797	25,245
Construction in progress	72,941	–	72,941	47,487
	\$ 439,157	\$ 143,025	\$ 296,132	\$ 276,999

The Hospital, working with Infrastructure Ontario, Ministry of Health and Project Co (Zurich Insurance Company Ltd.), have reached agreement on Minutes of Settlement (“MOS”) that preserve the terms of the original Project Agreement (“PA”) for the capital redevelopment project and confirm that phase 3 will be completed in forty-eight months at the original agreed upon PA cost plus change orders and or delay costs if they are incurred. In addition, the MOS provides resolution to all outstanding legal issues that occurred during phase 1 and 2 of the project.

Terms of the agreement for phase 3 have changed resulting in monthly payments being made to Project Co. for work completed less a holdback. The previous agreement required one lump sum payment less holdback at the end of phase 3.

The PA has an estimated cost of \$276,397 (2023 - \$276,397) including change orders of \$8,715 (2023 - \$8,554). The contractor’s updated estimated date of completion is October 2024 however this date could be altered as a result of the approval of change orders to the PA. Funding for the PA will be \$244,065 (2023 - \$244,065) from the MOH and \$32,332 (2023 – \$32,332) from the Cambridge Memorial Hospital Foundation (“CMH Foundation”). PA is still being negotiated with MOH and is subject to change by the completion of the project.

As at March 31, 2024, the Hospital has incurred capital costs of \$253,682 (2023 - \$240,991). The costs related to Phase 3 include \$76,819 (2023 - \$64,128) of project costs that include hard construction, ancillary project costs and equipment.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

7. Pension and other post-employment benefits:

a) Accrued benefit liability:

The Hospital has an unfunded defined benefit dental, health care and life insurance plan for two groups of employees and retirees with post-retirement benefits. The Hospital measures its liability for accounting purposes based on the most recent actuarial valuation which occurred at April 1, 2023, together with projection of these results to March 31, 2024. The next required actuarial valuation is April 1, 2026. Information about the Hospital's defined benefit plans as at March 31 is as follows:

	2024	2023
Accrued benefit liability, beginning of year	\$ 4,203	\$ 4,118
Benefit expense	289	326
Benefits paid	(269)	(241)
Accrued benefit liability, end of year	\$ 4,223	\$ 4,203

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

	2024	2023
Accrued benefit obligation (at end of year):		
Discount rate	3.95%	4.04%
Dental cost increases	5.00%	3.00%
Medical cost increases	5.60%	5.57%
Benefit costs (for fiscal year):		
Discount rate	4.04%	3.21%

b) Reconciliation of accrued benefit obligation to accrued benefit liability:

	2024	2023
Accrued benefit obligation, end of year	\$ 3,448	\$ 3,670
Add: unamortized net actuarial gain	775	533
Accrued benefit liability, end of year	\$ 4,223	\$ 4,203

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

7. Pension and other post-employment benefits (continued):

c) Net benefit (recovery) costs recognized:

	2024	2023
Current service costs	\$ 235	\$ 248
Interest costs	138	119
Amortization of net actuarial gain	(84)	(41)
Total net benefit costs recognized	289	326
Cash paid – employer contributions	(269)	(241)
Net benefit costs recognized	\$ 20	\$ 85

d) Pension plan:

Substantially all of the employees of the Hospital are eligible to be members of HOOPP, which is a multi-employer high five average pay contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

Employer contributions made to the plan during the year by the Hospital amounted to \$8,049 (2023 - \$6,626). These amounts are included in employee benefits expense in the statement of operations.

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets.

	2024	2023
Balance, beginning of year	\$ 270,121	\$ 247,256
Add contributions received/receivable for capital purposes:		
Ministry of Health	20,082	25,797
Cambridge Memorial Hospital Foundation	4,270	6,479
	24,352	32,276
Less amortization of deferred capital contributions:		
Equipment	(3,888)	(3,527)
Buildings	(5,802)	(5,884)
Balance, end of year	\$ 284,783	\$ 270,121

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

9. Asset retirement obligation:

The Hospital owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it.

Changes to the asset retirement obligation in the year are as follows:

	2024	2023
Opening balance	\$ 2,377	\$ 2,377
Add: remeasurement adjustment	433	-
Closing balance	\$ 2,810	\$ 2,377

10. Internally restricted - special purpose funds:

a) Internally restricted - special purpose funds are calculated as follows:

	2024	2023
Capital assets	\$ 296,132	\$ 276,999
Amounts financed by:		
Restricted cash (note 4)	29,359	22,159
Capital redevelopment construction payable	(4,035)	(2,428)
Deferred capital contributions (note 8)	(284,783)	(270,121)
Due from MOH (note 3)	3,243	3,243
Due from Foundation	475	817
Asset retirement obligation (note 9)	(2,810)	(2,377)
	\$ 37,581	\$ 28,292

b) Deficiency of revenue over expenses are calculated as follows:

	2024	2023
Amortization of capital assets	\$ (14,419)	\$ (13,767)
Amortization of deferred capital contributions	9,690	9,411
Deficiency of revenue over expenses	\$ (4,729)	\$ (4,356)

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

10. Internally restricted - special purpose funds (continued):

- c) Change in investment in internally restricted – special purpose funds calculated as follows:

	2024	2023
Capital assets - additions	\$ 33,552	\$ 28,165
Deferred capital contributions – grants	(24,352)	(32,276)
Change in restricted cash	7,200	5,720
Change in capital redevelopment construction payable	(1,607)	(1,314)
Change in due from MOH	–	(1,517)
Change in due from Foundation	(342)	345
Change in asset retirement obligation	(433)	–
	\$ 14,018	\$ (877)

11. Commitments:

- a) Lease commitments:

The Hospital is committed to minimum annual lease payments as follows:

2025	\$ 480
2026	37
2027	37
2028	37
	\$ 591

- b) Service commitments:

The Hospital is a member of a group of 40 hospitals, long-term care facilities and health authorities within Ontario that voluntarily entered into a joint agreement for the purpose of planning, developing, implementing and operating a regional supply chain service consisting of procurement and contract negotiation.

During the year, the Hospital incurred expenditures of \$206 (2023 - \$187) to Mohawk Medbuy for services. The Mohawk Medbuy agreement automatically renews and has a two-year notice period. The annual fee is determined each year based on cost changes incurred by Mohawk Medbuy, member hospital medical surgical consumption, changes in the level of service received by Mohawk Medbuy and changes to the membership of Mohawk Medbuy. The expected cost will remain unchanged from 2024.

The Hospital is a member of the Ontario Clinical Imaging Network ("OCINet") as part of a 3-year agreement. This project gives authorized health care providers access to diagnostic images and corresponding reports from hospitals and independent health facilities across Ontario Health. This project receives financial support from Canada Health Infoway and eHealth Ontario.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

11. Commitments (continued):

c) Letter of credit:

The Hospital issued a standby letter of credit through its financial institution to provide guarantees to City of Cambridge for \$200 due September 13, 2024, GrandBridge Energy Inc. for \$560 due on January 11, 2025, GrandBridge Energy Inc. for \$1,133 due March 20, 2025, GrandBridge Energy Inc. for \$202 due June 5, 2025, GrandBridge Energy Inc. for \$564 due September 8, 2024 and City of Cambridge for \$200 due February 2, 2025.

12. Contingencies:

- a) The nature of the Hospital activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2024, management believes the Hospital has valid defenses and/or 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.

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and therefore has an economic interest in HIROC. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2024.

- b) The Hospital has received funding from the MOH and Waterloo Wellington Ontario Health for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the Ministry and the Ontario Health West are entitled to recover funds. Such recoveries are recognized as a liability owing to these parties in the relevant fiscal period.
- c) 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.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

13. Supplemental cash flow information:

- a) Net change in non-cash operating working capital balances:

	2024	2023
Accounts receivable not applicable to capital assets	\$ 519	\$ (1,370)
Inventories	(382)	(30)
Prepaid expenses	421	(1,155)
Accounts payable and accrued liabilities not applicable to capital assets	(3,205)	11,817
Net change in non-cash operating working capital balances	\$ (2,647)	\$ 9,262

14. Financial risks:

- a) Market risk:

Market risk is the risk that changes in market prices, foreign exchange rates or interest rates will affect the Hospital's surplus or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

- b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through to its interest-bearing demand loan payable.

The Hospital has financing available in the form of a demand loan which is not drawn at year end. The loan bears interest at the bank's prime lending rate minus 0.85% and is payable monthly.

- c) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted, resulting in a financial loss. The Hospital is exposed to credit risk with respect to its accounts receivable and cash.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2024 is the carrying value of these assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2024

14. Financial risks (continued):

c) Credit risk (continued):

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2024 is \$314 (2023 - \$273).

As at March 31, 2024, \$1,833 (2023 - \$2,161) of third-party accounts receivable were past due, but not impaired.

d) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows. The Hospital has developed a multi-year cash flow strategy.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no other significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

15. Related party transactions:

a) Cambridge Memorial Hospital Foundation:

The Hospital has an economic interest in the Cambridge Memorial Hospital Foundation (the "Foundation"). During the year, the Foundation granted \$3,962 (2023 - \$5,344) to the Hospital to fund capital equipment, building renovations and education. The accounts of the Foundation are not included in these financial statements.

b) Cambridge Memorial Hospital Volunteer Association:

The Cambridge Memorial Hospital Volunteer Association (the "Volunteer Association") is an independent organization which raises funds and contributes these funds to the Hospital for capital and program funding purposes. The accounts of the Volunteer Association are not included in these financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
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Year ended March 31, 2024

16. Credit facilities:

- a) The Hospital has available to it a \$7,000 revolving demand loan from the bank to finance general operating requirements. This facility is available by way of the bank's prime based loans or overdrafts at the bank's prime lending rate minus 0.85% per annum or bankers' acceptances with a stamping fee of 0.40% per annum.
- b) The Hospital has available to it a \$7,000 term facility from the bank to finance the redevelopment project. This facility is available by way of multiple draws permitted up to the credit limit amortized over twenty-five years quoted by the bank at the time of borrowing.
- c) The Hospital has available to it a \$6,000 committed interest only facility to finance capital equipment. The loan is amortized over five years quoted by the bank at the time of borrowing.