

Financial Statements of

**CAMBRIDGE
MEMORIAL HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2022
(Expressed in thousands of dollars)



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INDEPENDENT AUDITORS' 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, 2022
- 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, 2022, 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

May 30, 2022

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Financial Position
(Expressed in thousands of dollars)

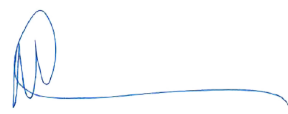
March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 63,068	\$ 38,329
Due from Ontario Ministry of Health ("MOH") (note 2)	7,381	12,796
Other receivables	3,920	1,910
Inventories	2,453	2,399
Prepaid expenses	1,724	1,562
	<u>78,546</u>	<u>56,996</u>
Due from MOH (note 2)	4,760	4,153
Due from CMH Foundation	472	3,373
Restricted cash (note 3)	16,439	18,925
Special purpose funds restricted cash (note 4)	187	187
Capital assets (note 5)	262,601	241,672
	<u>\$ 363,005</u>	<u>\$ 325,306</u>
Liabilities and Net Assets		
Current liabilities:		
Due to MOH	\$ 6,309	\$ 2,315
Accounts payable and accrued liabilities	34,386	28,540
Deferred revenue	29,982	16,964
	<u>70,677</u>	<u>47,819</u>
Capital redevelopment construction payable	1,114	-
Accrued benefit liability (note 6)	4,118	4,033
Deferred capital contributions (note 7)	247,256	240,871
	<u>323,165</u>	<u>292,723</u>
Net assets:		
Unrestricted	3,751	5,144
Externally restricted special purpose funds (note 4)	187	187
Internally restricted special purpose funds (notes 4 and 8)	35,902	27,252
	<u>39,840</u>	<u>32,583</u>
Commitments (note 9)		
Contingencies (note 10)		
	<u>\$ 363,005</u>	<u>\$ 325,306</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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
MOH operating funding (note 15)	\$ 146,148	\$ 137,973
Billable patient services	15,477	12,929
Recoveries and miscellaneous revenue	12,731	12,521
Program specific funding	3,590	3,592
MOH recoveries	1,935	1,943
Amortization of deferred capital contributions - equipment (note 7)	2,399	2,332
Interest income	288	207
	<hr/> 182,568	<hr/> 171,497
Expenses:		
Salaries and wages	78,597	77,673
Medical staff remuneration	25,874	23,906
Employee benefits	20,242	20,219
Supplies and other expense	20,732	17,870
Medical and surgical supplies	10,647	10,928
Drugs and medical gases	9,479	9,071
Program specific expenses	3,590	3,592
Amortization - equipment	5,174	4,929
	<hr/> 174,335	<hr/> 168,188
Excess of revenue over expenses before undernoted	8,233	3,309
Amortization of deferred contributions - building (note 7)	5,725	5,615
Amortization - building	(6,701)	(6,217)
Excess of revenue over expenses	<hr/> \$ 7,257	<hr/> \$ 2,707

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

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

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted	Externally restricted special purpose funds	Internally restricted special purpose funds (note 8)	2022 Total	2021 Total
Balance, beginning of year	\$ 5,144	\$ 187	\$ 27,252	\$ 32,583	\$ 29,876
Excess (deficiency) of revenue over expenses	11,008	–	(3,751)	7,257	2,707
Investment in in restricted special purpose funds (note 8 (c))	(12,401)	–	12,401	–	–
Balance, end of year	\$ 3,751	\$ 187	\$ 35,902	\$ 39,840	\$ 32,583

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	\$ 7,257	\$ 2,707
Items not involving cash:		
Amortization of capital assets	11,875	11,146
Amortization of deferred grants and donations	(8,124)	(7,947)
Change in employee future benefits (note 6)	85	83
Loss on disposal of capital assets	94	—
Change in non-cash operating working capital (note 11)	26,047	2,994
	<u>37,234</u>	<u>8,983</u>
Investing:		
Acquisition and construction of capital assets	(32,898)	(15,069)
Capital redevelopment construction payable	1,114	(69,925)
	<u>(31,784)</u>	<u>(84,994)</u>
Financing:		
Change in non-cash capital accounts receivable	2,294	66,871
Capital donations and grants, net of capital accounts receivable	14,509	10,899
	<u>16,803</u>	<u>77,770</u>
Increase in cash	22,253	1,759
Cash, beginning of year	57,254	55,495
Cash, end of year	<u>\$ 79,507</u>	<u>\$ 57,254</u>

Cash consists of the following:

Cash	\$ 63,068	\$ 38,329
Restricted cash	16,439	18,925
	<u>\$ 79,507</u>	<u>\$ 57,254</u>

See accompanying notes to financial statements.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

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, 2022 and 2021. 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, 2022

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, 2022.

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, 2022

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 6.

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, 2022

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 and 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, 2022. 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 Health Based Allocation Model ("HBAM"), 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, 2022

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, 2022, all financial assets of the hospital are held as cash and, as a result, are categorized as level 1.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

2. Due from Ontario Ministry of Health:

	2022	2021
Operating	\$ 7,381	\$ 12,796
Capital:		
Capital redevelopment project	4,760	4,153
	<u>\$ 12,141</u>	<u>\$ 16,949</u>

3. Restricted cash:

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

	2022	2021
Capital redevelopment project	\$ 15,096	\$ 18,267
Hospital Infrastructure Renewal Fund	1,343	658
	<u>\$ 16,439</u>	<u>\$ 18,925</u>

4. Special purpose funds:

a) Externally restricted special purpose funds:

The net assets include \$187 (2021 - \$187) designated for specific purposes.

b) Internally restricted special purpose funds:

The net assets include \$35,902 (2021 - \$27,252) invested in capital assets.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

5. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,632	\$ –	\$ 4,632	\$ 961
Land improvements	1,257	958	299	305
Buildings	248,531	52,468	196,063	197,417
Equipment	85,764	61,424	24,340	25,251
Construction in progress	37,267	–	37,267	17,738
	\$ 377,451	\$ 114,850	\$ 262,601	\$ 241,672

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.

The PA has an estimated cost of \$276,397 (2021 - \$276,397) including change orders of \$6,072 (2021 - \$3,265). The contractor's updated estimated date of completion is February 2025 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 (2021 - \$244,065) from the MOH and \$32,332 (2021 – \$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, 2022, the Hospital has incurred PA costs of \$218,372 (2021 - \$199,831). The PA costs include \$82,219 (2021 - \$63,677) of related project costs that include planning and design, of which \$65,490 (2021 - \$48,592) have been funded by the Ministry and \$16,729 (2021 - \$15,085) funded by the CMH Foundation.

On November 8, 2019, the Hospital reached Interim Completion on Phase 2 of the PA and moved into the new facility on January 18, 2020. A lump sum payment of \$65,000 less deficiencies and delay claim plus taxes was made. The Ministry funded \$58,377 and the CMH Foundation funded \$6,623.

On November 25, 2020, a second payment was made as per the MOS which consisted of a payment of \$70,792 plus deficiencies, change orders and taxes as settlement for the final obligation of phase 1 and phase 2 of the PA and an agreement that no party will take further legal action regarding any dispute from phase 1 and phase 2 of the PA. The Ministry obligation was \$63,713 and the CMH Foundation obligation was \$7,079.

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.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

6. 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, 2020, together with projection of these results to March 31, 2022. The next required actuarial valuation is April 1, 2024. Information about the Hospital's defined benefit plans as at March 31 is as follows:

	2022	2021
Accrued benefit liability, beginning of year	\$ 4,033	\$ 3,950
Benefit expense	316	285
Benefits paid	(231)	(202)
Accrued benefit liability, end of year	\$ 4,118	\$ 4,033

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

	2022	2021
Accrued benefit obligation (at end of year):		
Discount rate	3.21%	3.21%
Dental cost increases	3.00%	3.00%
Medical cost increases	5.57%	5.57%
Benefit costs (for fiscal year):		
Discount rate	3.21%	3.37%

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

	2022	2021
Accrued benefit obligation, end of year	\$ 3,544	\$ 3,420
Add: unamortized net actuarial gain	574	613
Accrued benefit liability, end of year	\$ 4,118	\$ 4,033

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

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

c) Net benefit (recovery) costs recognized:

	2022	2021
Current service costs	\$ 241	\$ 231
Interest costs	114	111
Amortization of net actuarial gain	(39)	(57)
Total net benefit costs recognized	316	285
Cash paid - employer contributions	(231)	(202)
Net benefit costs recognized	\$ 85	\$ 83

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). The most recent actuarial valuation of the plan indicates that the plan has a surplus of \$28.5 billion (2020 - \$24.1 billion) as of December 31, 2021.

Employer contributions made to the plan during the year by the Hospital amounted to \$6,643 (2021 - \$6,544). These amounts are included in employee benefits expense in the statement of operations.

7. Deferred capital contributions:

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

	2022	2021
Balance, beginning of year	\$ 240,871	\$ 237,919
Add contributions received/receivable for capital purposes:		
Ministry of Health	12,902	10,726
Cambridge Memorial Hospital Foundation	1,607	173
	14,509	10,899
Less amortization of deferred capital contributions:		
Equipment	(2,399)	(2,332)
Buildings	(5,725)	(5,615)
Balance, end of year	\$ 247,256	\$ 240,871

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

8. Internally restricted - special purpose funds:

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

	2022	2021
Capital assets	\$ 262,601	\$ 241,672
Amounts financed by:		
Restricted cash (note 3)	16,439	18,925
Capital redevelopment construction payable	(1,114)	-
Deferred capital contributions (note 7)	(247,256)	(240,871)
Due from MOH (note 2)	4,760	4,153
Due from Foundation	472	3,373
	\$ 35,902	\$ 27,252

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

	2022	2021
Amortization of capital assets	\$ (11,875)	\$ (11,146)
Amortization of deferred capital contributions	8,124	7,947
Deficiency of revenue over expenses	\$ (3,751)	\$ (3,199)

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

	2022	2021
Capital assets - additions	\$ 32,804	\$ 15,069
Deferred capital contributions – grants	(14,509)	(10,899)
Change in restricted cash	(2,486)	(5,986)
Change in capital redevelopment construction payable	(1,114)	69,925
Due from MOH	607	(63,684)
Due from Foundation	(2,901)	(3,187)
	\$ 12,401	\$ 1,238

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

9. Commitments:

a) Lease commitments:

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

2023	\$	3,040
2024		3,040
2025		443
	\$	6,523

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 \$204 (2021 - \$178) 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 2022.

The Hospital is a member of the Southwestern Ontario Diagnostic Imaging Network ("SWODIN") 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. The services are provided on a cost recovery basis. Ongoing fees are based on volumes of exams and are estimated to be \$105 annually. This project receives financial support from Canada Health Infoway and eHealth Ontario.

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, 2022, GrandBridge Energy Inc. for \$560 due on January 11, 2023, GrandBridge Energy Inc. for \$1,133 due March 20, 2023, GrandBridge Energy Inc. for \$202 due June 5, 2023, GrandBridge Energy Inc. for \$564 due September 8, 2022.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

10. 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, 2022, 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, 2022.

- 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.

11. Supplemental cash flow information:

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

	2022	2021
Accounts receivable not applicable to capital assets	\$ 3,405	\$ (11,281)
Inventories	(54)	242
Prepaid expenses	(162)	(119)
Accounts payable and accrued liabilities not applicable to capital assets	22,858	14,152
Net change in non-cash operating working capital balances	\$ 26,047	\$ 2,994

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
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Year ended March 31, 2022

12. 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, 2022 is the carrying value of these assets.

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, 2022 is \$334 (2021 - \$558).

As at March 31, 2022, \$1,372 (2021 - \$1,159) 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.

CAMBRIDGE MEMORIAL HOSPITAL

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2022

12. Financial risks (continued):

e) COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

13. 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 \$4,537 (2021 - \$5,227) 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.

14. 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.

CAMBRIDGE MEMORIAL HOSPITAL

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15. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic (“COVID-19”), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. As part of these funding programs, the MOH is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

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. As a result of Management’s estimation process, the Hospital has recognized amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH. Given the potential for future adjustments by the MOH based on their determination of eligible funding, the Hospital has recognized revenue related to COVID-19 using a conservative approach and has recorded a provision for future funding changes.

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. Any adjustments to Management’s estimate of MOH revenues will be reflected in the Hospital’s financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses	\$ 6,015	\$ 10,480
Funding for non-ministry revenue losses resulting from COVID-19	–	2,957
Broad-based funding reconciliation for other eligible costs and non-ministry revenue losses	–	2,030
Temporary physician funding	6,142	5,962
Bed capacity	14,405	1,916
Incentive pay programs	1,247	2,456
Assessment Centre	1,452	–
Total revenue recognized	\$ 29,261	\$ 25,801

In addition to the above, the Hospital has also recognized \$335 (2021 - \$1,434) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.