

Financial Statements of

**LENNOX AND ADDINGTON COUNTY
GENERAL HOSPITAL ASSOCIATION**

Year ended March 31, 2023

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Members of Lennox and Addington County General Hospital Association

Opinion

We have audited the financial statements of Lennox and Addington County General Hospital Association (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 cash flows, and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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- 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
Kingston, Canada
June 6, 2023

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Statement of Financial Position

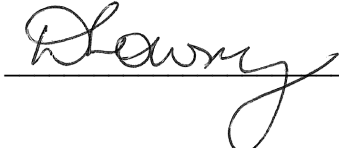
March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 4,971,183	\$ 4,652,774
Ministry of Health receivable	2,586,027	1,197,984
Accounts receivable (note 2)	2,146,647	1,740,122
Inventories (note 3)	494,233	461,932
Prepaid expenses	242,204	347,547
	<u>10,440,294</u>	<u>8,400,359</u>
Investments (note 4)	21,139,599	22,123,672
Capital assets (note 5)	48,537,492	48,800,805
	<u>\$ 80,117,385</u>	<u>\$ 79,324,836</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Ministry of Health payable	\$ 1,100,994	\$ 1,132,822
Accounts payable and accrued liabilities	1,761,151	2,162,384
Accrued compensation	4,864,078	3,432,450
	<u>7,726,223</u>	<u>6,727,656</u>
Liability for future employee benefits (note 6)	1,307,300	1,284,800
Asset retired obligation (note 20)	351,000	-
Deferred contributions (note 8)	24,848,239	25,853,156
Net assets:		
Invested in capital assets (note 9(a))	16,042,517	16,564,336
Reserve for future expenditures (note 12(a))	5,114,923	3,842,945
Internally restricted (note 12(b))	4,810,671	5,143,883
Unrestricted	15,595,653	13,943,213
	<u>41,563,764</u>	<u>39,494,377</u>
Accumulated rereasurement gain	4,320,859	5,964,847
	<u>45,884,623</u>	<u>45,459,224</u>
Contingent liabilities (note 11)		
Commitment (note 19)		
	<u>\$ 80,117,385</u>	<u>\$ 79,324,836</u>

See accompanying notes to financial statements.

On behalf of the Board

 Director

 Director

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Statement of Operations

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

	2023	2022
Revenue:		
Ministry of Health (note 17)	\$ 29,052,860	\$ 26,107,088
Long-term care - convalescent care (note 15)	3,203,865	3,009,589
Cancer Care Ontario	3,791,024	2,459,462
Other-patient revenue	3,554,154	3,178,506
Other revenue	869,166	1,191,417
Amortization of deferred contributions	805,152	800,875
Rental revenue	1,322,328	1,182,142
Cafeteria services	71,708	70,159
Preferred accommodation	92,403	79,413
ALC co-payment	32,642	-
Ambulance co-payment	127,770	101,805
	<u>42,923,072</u>	<u>38,180,456</u>
Expenses:		
Salaries and wages	19,669,782	18,020,918
Benefits	3,938,235	3,998,404
Drugs	3,821,608	2,721,448
Medical staff remuneration	2,363,022	2,251,975
Equipment amortization	1,207,723	1,288,051
Medical and surgical supplies	1,222,681	1,142,585
System support	1,143,048	751,803
Laboratory	989,616	844,016
Administration, finance and human resources	677,222	815,200
Nursing	783,551	685,795
External buildings	649,296	709,277
Plant operation	599,465	591,300
Plant maintenance	385,769	369,881
Radiology and ultrasound	476,725	471,833
Housekeeping and material management	384,926	365,407
Convalescent care	517,009	491,456
External building depreciation	399,512	387,722
Software amortization	199,747	146,511
Dietary and food	238,817	217,458
Laundry	218,404	215,116
Other diagnostic and therapeutic	198,559	169,065
Bad debts	101,623	248,672
Loss on disposal of assets	325	8,204
	<u>40,186,665</u>	<u>36,912,097</u>
Excess of revenue over expenses before the undernoted	2,736,407	1,268,359
Capital activity:		
Amortization of deferred contributions	930,949	932,746
Gain on disposal of investments	(108,089)	390,793
Investment income	136,011	642,439
Other expenses	(74,119)	(79,367)
Building amortization	(1,200,772)	(1,196,378)
	<u>(316,020)</u>	<u>690,233</u>
Excess of revenue over expenses	\$ 2,420,387	\$ 1,958,592

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Statement of Changes in Net Assets

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

	Invested in Capital Assets	Reserve for Future Expenditures	Internally restricted	Unrestricted	2023 Total	2022 Total
Balance, beginning of year:						
As previously stated	\$ 16,564,336	\$ 3,842,945	\$ 5,143,883	\$ 13,943,213	\$ 39,494,377	\$ 37,535,785
Change in accounting policy (note 21)	–	–	–	(351,000)	(351,000)	–
	16,564,336	3,842,945	5,143,883	13,943,213	39,494,377	37,535,785
Excess (deficiency) of revenue over expenses (note 9(b))	(1,271,978)	1,271,978	–	2,420,387	2,420,387	1,958,592
Net change in investment in capital assets (note 9(b))	750,159	–	–	(750,159)	–	–
Interfund transfer	–	–	(333,212)	333,212	–	–
Balance, end of year	\$ 16,042,517	\$ 5,114,923	\$ 4,810,671	\$ 15,595,653	\$ 41,563,764	\$ 39,494,377

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,420,387	\$ 1,958,592
Items not involving cash:		
Amortization of deferred contributions	(1,736,101)	(1,733,621)
Amortization of capital assets	3,007,754	3,018,662
Loss on disposal of capital assets	325	8,204
Employee future benefits	22,500	33,900
Change in non-cash operating working capital:		
Accounts receivable	(406,525)	495,645
Ministry of Health receivable	(1,388,043)	(434,598)
Inventories	(32,301)	(7,907)
Prepaid expenses	105,343	206,889
Accounts payable and accrued liabilities	(401,233)	(95,308)
Accrued compensation	1,431,628	254,655
Ministry of Health payable	(31,828)	240,508
	2,991,906	3,945,621
Capital activities:		
Purchase of capital assets	(2,744,766)	(3,846,609)
Additions to deferred contributions	731,184	3,106,898
	(2,013,582)	(739,711)
Investing activities:		
Purchase of investments	(659,915)	(1,381,959)
Redemption of investments	-	1,500,000
	(659,915)	118,041
Increase in cash	318,409	3,323,951
Cash, beginning of year	4,652,774	1,328,823
Cash, end of year	\$ 4,971,183	\$ 4,652,774

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Statement of Remeasurement Gains and Losses

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

	2023	2022
Accumulated remeasurement gains, beginning of the year	\$ 5,964,847	\$ 5,107,189
Unrealized gains (losses) attributable to: Long-term investments:		
Designated fair value	(1,643,988)	857,658
Accumulated remeasurement gains, end of the year	\$ 4,320,859	\$ 5,964,847

See accompanying notes to financial statements.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2023

The Lennox and Addington County General Hospital Association was incorporated under the Corporations Act of Ontario and its principal activity is the provision of health services.

These financial statements present the financial position and results of operations of Lennox and Addington County General Hospital Association (the "Association"), which is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations:

(a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/Ontario Health (the "Ministry"). 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. These financial statements reflect arrangements approved by the Ministry with respect to the year ended March 31, 2023.

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 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 for the related capital assets.

Revenue from the Ontario Hospital Insurance Plan, in-patient and out-patient services, preferred accommodation and marketed services and recoveries and other revenue is recognized when the goods are sold or the service is provided.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost while contributed capital assets are recorded at fair value at the date of contribution. When capital assets are abandoned or sold, their costs are removed from the accounts. Amortization is recorded when the assets are put in use. Amortization of the building and building service equipment is recorded as an expense of the capital fund while amortization of major equipment is recorded as an expense of the revenue fund.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	7% to 10%
Building	3% to 9%
Major equipment	4% to 33.3%
Building service equipment	5% to 20%
Software license	20% to 33.3%

Costs of construction in progress are capitalized. Amortization is not recognized until construction is complete and the assets are ready for productive use.

(c) Volunteer services:

The work of the Association benefits from the voluntary services of many members of the community. Since these services are not normally purchased by the Association and because of the difficulty of determining their fair value, volunteer services are not recognized in these financial statements.

(d) Inventories:

Inventories are valued at lower of cost and net realizable value. Minor equipment is expensed in the year of acquisition.

(e) Employee future benefits:

The Association accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience from changes in 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 employee benefit plan is 12 years (2022 - 13 years).

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

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2022 disclosed actuarial assets of \$104 billion with accrued pension liabilities of \$93 billion, resulting in a surplus of \$11 million. This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 based on the assumptions and methods adopted for the valuation.

(f) 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. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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.

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 or loss is adjusted through the Statement of Remeasurement Gains and Losses.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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.

Canadian public sector accounting 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

(g) Asset retirement obligations:

The Association recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

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

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Accounts receivable:

	2023	2022
Amount receivable	\$ 2,293,129	\$ 1,860,370
Less allowance for doubtful accounts	146,482	120,248
	<u>\$ 2,146,647</u>	<u>\$ 1,740,122</u>

3. Inventories:

The major classifications of inventories are:

	2023	2022
Stores	\$ 171,420	\$ 201,098
Laboratory	54,875	59,918
Pharmacy	267,938	200,916
	<u>\$ 494,233</u>	<u>\$ 461,932</u>

4. Investments:

	Level	2023	2022
Equity instruments, quoted in an active market:			
Shares	2	\$ 5,850,840	\$ 6,662,469
Fixed income	2	2,830,476	—
Mutual funds	2	12,458,283	15,461,203
		<u>\$ 21,139,599</u>	<u>\$ 22,123,672</u>

During the year, \$nil of investments were transferred into the general operating account (2022 - \$1,500,000). There were no other transfers in or out of Levels 1, Level 2 and Level 3 for the years ended March 31, 2023 and 2022.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land and land improvements	\$ 2,732,332	\$ 449,384	\$ 2,282,948	\$ 2,336,263
Building	55,499,390	17,289,327	38,210,063	38,983,960
Major equipment	5,240,708	2,810,200	2,430,508	2,560,829
Building service equipment	15,619,885	12,117,911	3,501,974	3,551,168
Software license	7,874,943	5,762,944	2,111,999	1,368,585
	<u>\$ 86,967,258</u>	<u>\$ 38,429,766</u>	<u>\$ 48,537,492</u>	<u>\$ 48,800,805</u>

The capital assets presented above include work-in-progress of \$3,761,420 (2022 - \$3,431,351).

6. Employee future benefits:

The Association provides extended health care, dental and life insurance benefits to certain past employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at April 1, 2021. The next valuation of the plan will be effective April 1, 2024.

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

Discount rate - expense	3.6% (2022 - 3.0%)
Discount rate - disclosure	4.5% (2022 - 3.6%)
Dental benefits escalation	3.0% to 2025; increasing by 0.35% per annum to an ultimate rate of 4.47% (2022 - 3.00% to 2023; increasing by 0.29% per annum to an ultimate rate of 4.75%)
Health benefits escalation	5.57% to 2025; decreasing by 0.16% per annum to an ultimate rate of 3.57% (2022 - 5.25% to 2023; decreasing by 0.08% per annum to an ultimate rate of 4.75%)

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Employee future benefits (continued):

The continuity of the Association's accrued benefit liability is as follows:

	2023	2022
Accrued benefit liability, opening balance	\$ 1,284,800	\$ 1,250,900
Current service costs	108,300	112,800
Interest on accrued benefit obligation	42,200	36,000
Benefits paid for the period	(102,200)	(94,000)
Amortization of actuarial gains	(25,800)	(20,900)
Accrued benefit liability, closing balance	\$ 1,307,300	\$ 1,284,800

The accrued benefit liability, includes the following components:

	2023	2022
Accrued benefit obligation	\$ 1,065,600	\$ 1,116,300
Unamortized actuarial gains	241,700	168,500
	\$ 1,307,300	\$ 1,284,800

7. Pension plan:

Substantially all of the employees of the Association are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Association on behalf of its employees amounted to \$1,271,812 (2022 - \$1,286,948) and are included 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 Plan's 2022 Annual Report indicates the plan is fully funded at 117%.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Deferred contributions related to capital assets:

Deferred contributions reported in the Statement of Financial Position include the unamortized portion of deferred contributions with which some of the Association's capital assets were originally purchased. The amortization of deferred contributions is recorded as revenue in the Statement of Operations. Changes for the year in deferred contributions are as follows:

	2023	2022
Balance, beginning of year	\$ 25,853,156	\$ 24,479,879
Additional contributions during the year	731,184	3,106,898
	<u>26,584,340</u>	<u>27,586,777</u>
Amounts amortized to revenue during the year	(1,736,101)	(1,733,621)
Balance, end of year	\$ 24,848,239	\$ 25,853,156

The balance of unamortized and unspent funds consists of the following:

	2023	2022
Unamortized capital contributions used to purchase assets	\$ 23,911,662	\$ 23,653,156
Unspent capital contributions	936,577	2,200,000
	<u>\$ 24,848,239</u>	<u>\$ 25,853,156</u>

Included in unspent capital contributions is \$936,577 (2022 - \$700,000) related Health Infrastructure Renewal Fund "HIRF". These funds were approved to be carried forward to fiscal 2024. It is agreed that the carry-over of these funds will be used for the original intention and will not be repurposed to cover other costs not originally contemplated. These funds will be subject to reconciliation at a future date, with any adjustment reflected in the Association's financial statements in the year of settlement.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 48,537,492	\$ 48,800,805
Amounts financed by:		
Deferred contributions	23,911,662	23,653,156
Amounts credited by the Foundation	8,583,313	8,583,313
Balance, end of year	\$ 16,042,517	\$ 16,564,336

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

	2023	2022
Deficiency of revenue over expenses:		
Amortization of capital assets	\$ (3,007,754)	\$ (3,018,662)
Amortization of deferred contributions	1,736,101	1,733,621
Loss on disposal of capital assets	(325)	(8,204)
	\$ (1,271,978)	\$ (1,293,245)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 2,744,766	\$ 3,846,609
Amounts funded by deferred contributions	(1,994,607)	(1,056,254)
	\$ 750,159	\$ 2,790,355

10. Related entities:

(a) Lennox and Addington County General Hospital Foundation:

The Association has entered into a fundraising/public relations arrangement with the Lennox and Addington County General Hospital Foundation (the "Foundation"). The Foundation has been established to encourage and to co-ordinate the continuing high level of community financial support to meet the long-term capital financing needs of the Association. In accordance with this arrangement, donations received by the Association are transferred to the Foundation for the purpose of interim investment and management. The Association has economic interest, but not control, in the Lennox and Addington County General Hospital Foundation.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Related entities (continued):

(a) Lennox and Addington County General Hospital Foundation (continued):

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (i) The Association received amounts totaling \$198,453 (2022 - \$2,163,705) that have been contributed from the Foundation, which are recorded as deferred contributions to be used to fund the purchase of capital assets.

(b) Lennox & Addington County General Hospital Volunteer Services:

The Lennox & Addington County General Hospital Volunteer Services raises funds through various volunteer services. The Association received amounts totaling \$nil (2022 - \$ Nil) that have been contributed from Volunteer Services, which are recorded as deferred contributions to be used to fund the purchase of capital assets. The Association has economic interest, but not control, in the Lennox & Addington County General Hospital Volunteer Services.

(c) Kingston Regional Hospital Laundry Incorporated:

Kingston Regional Hospital Laundry Incorporated, a corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms and other related laundry services to the five hospitals in the Kingston region. The Association exercises significant influence, but not control, over Kingston Regional Hospital Laundry Incorporated.

Kingston Regional Hospital Laundry Incorporated provides laundry services to the Association based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business relating to the provision of laundry services. The Association contributes toward approved capital improvements and replacement costs incurred by Kingston Regional Hospital Laundry Incorporated. During the year, the Association paid \$259,686 (2022 - \$258,698) to Kingston Regional Hospital Laundry Incorporated for laundry services.

(d) Shared Support Services South Eastern Ontario:

The Association is a member of a group of six hospitals with the South East Local Health Integration Network which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a not-for-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project received start-up funding from the Ministry of Finance.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Related entities (continued):

(d) Shared Support Services South Eastern Ontario (continued):

Each of the participating hospitals is a voting member of 3SO. Therefore, the Association has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Association incurred costs of \$193,252 (2022 - \$242,972) to 3SO for governance/ operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Association has signed a commitment to the project, expiring June 2024 and has provided a limited guarantee to a maximum of \$25,100 of a \$1,000,000 line of credit secured by 3SO, representing the Association's proportionate share of 2.51%. As at March 31, 2023, 3SO had drawn \$Nil on this line of credit (2022 - \$Nil).

On March 29, 2023, 3SO entered into an Asset Purchase Agreement with Mohawk Medbuy Corporation ("MMC"), whereas MMS will substantially purchase all of the assets and liabilities of 3SO, effective April 1, 2023. The members of 3SO approved the dissolution and wind-up of 3SO's legal entity upon finalization of the transactions and certain administrative tasks, which is expected to take place in early summer 2023.

11. Contingent liabilities:

(a) The nature of the Association's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2023, management believes the Association 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 Association's financial position.

(b) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on January 1, 2022. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. 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 years in which they were a subscriber. No such assessments have been made to March 31, 2023.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Contingent liabilities (continued):

(b) Healthcare Insurance Reciprocal of Canada (continued):

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2023.

(c) Employment matters:

During the normal course of operation, the Association is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

12. Restriction on net assets:

- (a) The reserve for future expenditures represents internally restricted funds which the Board has set aside to fund future expenditures at their discretion.
- (b) The internally restricted net assets represent amounts set aside to fund capital purchases as approved by the Board of Directors. The income earned on the fund is to be restricted in the same manner as the fund itself.

13. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to the accounts receivable and investments.

The Association 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 Association at March 31, 2023 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.

As at March 31, 2023, \$197,482 (2022 - \$317,429) of trade accounts receivable were past due greater than 90 days, but not impaired.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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

(a) Credit risk (continued):

The Association follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Association as at March 31, 2023 is the carrying value of these assets.

There have been no significant changes to the liquidity risk exposure from 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

There have been no significant changes to the liquidity risk exposure from 2022.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Association's revenue 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.

There have been no significant changes to the market risk exposure from 2022.

(d) Interest rate risk:

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

Financial assets and financial liabilities with variable interest rates expose the Association to cash flow interest rate risk.

There have been no significant changes to the interest rate risk exposure from 2022.

14. Diabetes Education Program:

The Ministry funded \$296,276 (2022 - \$199,137) for the Diabetes Education Program. Ministry of Health revenue includes funding in the amount equal to expenses for the Diabetes Education Program. The expenses for this program totaled \$225,788 during the year (2022 - \$128,649) for salaries, supplies and sundry expenses and a transfer to Kingston Health Sciences Centre of \$70,488 (2022 - \$70,488) to administer their portion of the Diabetes program.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Long-term care - convalescent care:

	2023	2022
Interim long-term care beds		
Revenue:		
Contributions – Ontario Health	\$ 3,203,865	\$ 3,009,589
Expenses:		
Nursing and personal care	1,795,802	1,555,259
Program and support services	357,345	358,270
Raw food	67,829	63,352
Other accommodations	1,136,993	1,064,895
Amortization (net)	57,469	48,013
	3,415,438	3,089,789
Deficiency of revenue over expenses	\$ (211,573)	\$ (80,200)

16. Hospice Lennox & Addington:

Ontario Health funded \$107,336 (2022 - \$91,170) for Hospice Lennox & Addington. These funds are transferred to Hospice Lennox & Addington to administer the program and are not included in the Association's Statement of Operations.

17. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry of Health ("Ministry") has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs and other operational pressures through a broad-based funding reconciliation.

While the Ministry has provided guidance with respect to the maximum amount of funding potentially available to the Association, 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 Ministry 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.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Ministry of Health pandemic funding (continued):

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Association's operations, revenues and expenses. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Association's financial statements in the year of settlement.

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

	2023	2022
Funding for incremental COVID-19 operating expenses	\$ 953,422	\$ 769,459
Funding for temporary physician funding	–	440,600
Funding for temporary wage enhancement	19,762	75,191
	<u>\$ 973,184</u>	<u>\$ 1,285,250</u>

18. COVID-19 impacts:

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

The Association continues to respond to the pandemic and plans for continued operational and financial impacts during the 2024 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 on the basis of continued support to address the financial challenges related to the pandemic. 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.

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

19. Regional hospital information system:

The Association is currently in the implementation phase of a major information systems project (referred to as “Lumeo RHIS”) to replace its current core clinical system over the next four years. The project will be delivered under a “Governance and Master Services Agreement” led by Kingston Health Sciences Centre in partnership with Brockville General Hospital, Perth and Smith Falls District Hospital, Providence Care Centre and Quinte Health Care Corporation. The partners have gone through a rigorous process of procurement and planning over the past five years and agreed to commence implementation in July 2021. Under the agreement, the Association is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs. In 2021, the Association’s Board of Directors approved the project with a total cost of ownership of approximately \$8.6 million over 10 years.

Costs incurred to date of \$1.4 million (2022 - \$0.4 million) are included in capital assets on the Statement of Financial Position relating to this project and have been financed using internal resources.

The Association is currently developing a financing strategy to support capital costs relating to the project. Future commitments relating to the project are expected to change based on the actual expenses incurred by the project.

20. Asset retirement obligations:

The Association’s asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. 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 in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ –	\$ –
Adjustment on adoption of PS 3280 asset retirement obligation standard (note 21)	351,000	–
Opening balance, as restated	351,000	–
Less: obligation settled during the year	–	–
Balance, end of year	\$ 351,000	\$ –

LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

21. Change in accounting policy:

On April 1, 2022, the Association 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, such as asbestos removal in buildings owned by the Association. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Association’s asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2022, the Association recognized an asset retirement obligation relating to buildings owned by the Association that contain asbestos. The buildings were originally purchased or constructed between 1950 and 1990, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 10-30 years, and the estimate has not been changed since purchase or construction.

In accordance with the provisions of this new standard, the Association reflected the following adjustments at April 1, 2022:

- An asset retirement obligation in the amount of \$351,000, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets of \$351,000, representing the accumulated amortization expense on the buildings asset.

There was no remediation work completed in fiscal 2023.