

Financial Statements of

**LENNOX AND ADDINGTON COUNTY  
GENERAL HOSPITAL**

Year ended March 31, 2024

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

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Year ended March 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Lennox and Addington County General Hospital

### ***Opinion***

We have audited the financial statements of Lennox and Addington County General Hospital (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- 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, 2024, 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.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 5, 2024

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 4,201,500	\$ 4,971,183
Short-term investments (note 4)	24,000,000	–
Ministry of Health receivable	1,553,400	2,586,027
Accounts receivable (note 2)	3,253,382	2,146,647
Inventories (note 3)	881,368	494,233
Prepaid expenses	358,865	242,204
	<u>34,248,515</u>	<u>10,440,294</u>
Investments (note 4)	12,166,892	21,139,599
Capital assets (note 5)	72,557,301	48,537,492
	<u>\$ 118,972,708</u>	<u>\$ 80,117,385</u>

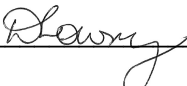
## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Ministry of Health payable	\$ 1,692,349	\$ 1,100,994
Accounts payable and accrued liabilities	5,297,154	1,761,151
Accrued compensation	3,594,661	4,864,078
Loan facilities (note 17)	18,023,947	–
	<u>28,608,111</u>	<u>7,726,223</u>
Liability for future employee benefits (note 6)	1,334,100	1,307,300
Asset retirement obligation (note 20)	411,000	351,000
Deferred contributions (notes 8 and 10(a))	38,448,230	24,848,239
Net assets:		
Invested in capital assets (note 9(a))	7,501,811	16,042,517
Reserve for future expenditures (note 12(a))	6,400,112	5,114,923
Internally restricted (note 12(b))	5,363,537	4,810,671
Unrestricted	28,650,658	15,595,653
	<u>47,916,118</u>	<u>41,563,764</u>
Accumulated remeasurement gains	2,255,149	4,320,859
	<u>50,171,267</u>	<u>45,884,623</u>
Contingent liabilities (note 11)		
Commitments (notes 18 and 19)		
	<u>\$ 118,972,708</u>	<u>\$ 80,117,385</u>

See accompanying notes to financial statements.

On behalf of the Board

 Director

 Director

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Operations

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

	2024	2023
Revenue:		
Ministry of Health (note 21)	\$ 30,782,495	\$ 29,052,860
Long-term care - convalescent care (note 15)	3,419,348	3,203,865
Cancer Care Ontario	6,654,570	3,791,024
Other-patient revenue	3,218,873	3,554,154
Other revenue	1,434,000	869,166
Amortization of deferred contributions	627,230	805,152
Rental revenue	1,316,885	1,322,328
Cafeteria services	84,133	71,708
Preferred accommodation	171,205	92,403
ALC co-payment	51,203	32,642
Ambulance co-payment	171,225	127,770
	<u>47,931,167</u>	<u>42,923,072</u>
Expenses:		
Salaries and wages	21,037,967	19,669,782
Benefits	4,583,251	3,938,235
Drugs	6,552,405	3,821,608
Medical staff remuneration	1,983,858	2,363,022
Equipment amortization	1,072,666	1,207,723
Medical and surgical supplies	1,141,935	1,222,681
System support	837,787	1,143,048
Laboratory	1,023,744	989,616
Administration, finance and human resources	766,961	677,222
Nursing	771,487	783,551
External buildings	526,081	649,296
Plant operation	641,439	599,465
Plant maintenance	412,012	385,769
Radiology and ultrasound	527,704	476,725
Housekeeping and material management	411,040	384,926
Convalescent care	782,454	517,009
External building depreciation	402,027	399,512
Software amortization	184,913	199,747
Dietary and food	284,741	238,817
Laundry	212,827	218,404
Other diagnostic and therapeutic	200,890	198,559
Bad debts	126,940	101,623
Loss on disposal of capital assets	61	325
	<u>44,485,190</u>	<u>40,186,665</u>
Excess of revenue over expenses before the undernoted	3,445,977	2,736,407
Capital activity:		
Amortization of deferred contributions	926,303	930,949
Gain on disposal of investments	1,435,374	(108,089)
Investment income	1,794,880	136,011
Other expenses	(71,125)	(74,119)
Building amortization	(1,179,055)	(1,200,772)
	<u>2,906,377</u>	<u>(316,020)</u>
Excess of revenue over expenses	\$ 6,352,354	\$ 2,420,387

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Changes in Net Assets

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

	Invested in Capital Assets	Reserve for Future Expenditures	Internally restricted	Unrestricted	2024 Total	2023 Total
Balance, beginning of year	\$ 16,042,517	\$ 5,114,923	\$ 4,810,671	\$ 15,595,653	\$ 41,563,764	\$ 39,143,377
Excess (deficiency) of revenue over expenses (note 9(b))	(1,285,189)	1,285,189	–	6,352,354	6,352,354	2,420,387
Net change in investment in capital assets (note 9(b))	(7,255,517)	–	–	7,255,517	–	–
Interfund transfer	–	–	552,866	(552,866)	–	–
Balance, end of year	\$ 7,501,811	\$ 6,400,112	\$ 5,363,537	\$ 28,650,658	\$ 47,916,118	\$ 41,563,764

See accompanying notes to financial statements.



# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 6,352,354	\$ 2,420,387
Items not involving cash:		
Amortization of deferred contributions	(1,553,533)	(1,736,101)
Amortization of capital assets	2,838,661	3,007,754
Loss on disposal of capital assets	61	325
Employee future benefits	26,800	22,500
Increase in asset retirement obligations	60,000	-
Change in non-cash operating working capital:		
Accounts receivable	(1,106,735)	(406,525)
Ministry of Health receivable	1,032,627	(1,388,043)
Inventories	(387,135)	(32,301)
Prepaid expenses	(116,661)	105,343
Accounts payable and accrued liabilities	3,536,003	(401,233)
Accrued compensation	(1,269,417)	1,431,628
Ministry of Health payable	591,355	(31,828)
	10,004,380	2,991,906
Capital activities:		
Purchase of capital assets	(26,858,531)	(2,744,766)
Additions to deferred contributions	15,153,524	731,184
	(11,705,007)	(2,013,582)
Investing activities:		
Purchase of short-term investments	(24,000,000)	-
Redemption (purchase) of investments	6,906,997	(659,915)
Proceeds from long-term debt	18,023,947	-
	930,944	(659,915)
Increase (decrease) in cash	(769,683)	318,409
Cash, beginning of year	4,971,183	4,652,774
Cash, end of year	\$ 4,201,500	\$ 4,971,183

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Remeasurement Gains and Losses

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

	2024	2023
Accumulated remeasurement gains, beginning of the year	\$ 4,320,859	\$ 5,964,847
Unrealized losses attributable to: Long-term investments:		
Designated fair value	(2,065,710)	(1,643,988)
Accumulated remeasurement gains, end of the year	\$ 2,255,149	\$ 4,320,859

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2024

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The Lennox and Addington County General Hospital 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 (the "Hospital"), 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 Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/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, 2024.

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 are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 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 Hospital benefits from the voluntary services of many members of the community. Since these services are not normally purchased by the Hospital 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.

### (e) Employee future benefits:

The Hospital 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

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 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 15 years (2023 - 12 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, 2023 disclosed actuarial assets of \$112 billion (2022 - \$104 billion) with accrued pension liabilities of \$102 billion (2022 - \$93 billion), resulting in a surplus of \$10 million (2022 - \$11 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2023 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

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

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

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 2. Accounts receivable:

	2024	2023
Accounts receivable	\$ 1,047,284	\$ 1,769,085
Receivable from Cancer Care Ontario	631,743	370,139
HST receivable	1,072,945	153,905
Accrued interest	677,561	–
	<u>3,429,533</u>	<u>2,293,129</u>
Less allowance for doubtful accounts	176,151	146,482
	<u>\$ 3,253,382</u>	<u>\$ 2,146,647</u>

## 3. Inventories:

The major classifications of inventories are:

	2024	2023
Stores	\$ 164,046	\$ 171,420
Laboratory	54,147	54,875
Pharmacy	663,175	267,938
	<u>\$ 881,368</u>	<u>\$ 494,233</u>

## 4. Investments:

(a) Long-term investments:

	Level	2024	2023
Equity instruments, quoted in an active market:			
Shares	2	\$ 3,358,553	\$ 5,850,840
Fixed income	2	2,077,089	2,830,476
Mutual funds	2	6,731,250	12,458,283
		<u>\$ 12,166,892</u>	<u>\$ 21,139,599</u>

During the year, \$13,800,000 of investments were transferred into the general operating account (2023 - \$Nil). There were no other transfers in or out of Levels 1, Level 2 and Level 3 for the years ended March 31, 2024 and 2023.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 4. Investments (continued):

### (b) Short-term investments:

During the year, the Hospital purchased three guaranteed investment certificates in the amount of \$24,000,000 with interest rate yields between 5.65% and 6.44%, maturing between July 2024 and September 2024.

Accrued interest of \$677,561 (2023 - \$Nil) is included as a component of accounts receivable.

## 5. Capital assets:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land and land improvements	\$ 2,732,332	\$ 494,659	\$ 2,237,673	\$ 2,282,948
Building	77,655,150	18,605,569	59,049,581	38,210,063
Building service equipment	5,826,606	3,029,763	2,796,843	2,430,508
Major equipment	17,424,896	12,893,276	4,531,620	3,501,974
Software license	9,889,441	5,947,857	3,941,584	2,111,999
	<u>\$ 113,528,425</u>	<u>\$ 40,971,124</u>	<u>\$ 72,557,301</u>	<u>\$ 48,537,492</u>

The capital assets presented above include work-in-progress of \$30,173,024 (2023 - \$3,761,420). Notes 17, 18 and 19 to the financial statements provide additional disclosure surrounding ongoing major capital projects.

Cost and accumulated amortization at March 31, 2023 amounted to \$86,967,258 and \$38,429,766, respectively.

## 6. Employee future benefits:

The Hospital 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.



# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 6. Employee future benefits (continued):

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

Discount rate - expense	4.5% (2023 - 3.6%)
Discount rate - disclosure	4.7% (2023 - 4.5%)
Dental benefits escalation	3% to 2025; increasing by 0.35% per annum to an ultimate rate of 3.57% (2023 - 3.00% to 2025; increasing by 0.35% per annum to an ultimate rate of 4.47%)
Health benefits escalation	5.57% to 2025; decreasing by 0.16% per annum to an ultimate rate of 3.57% (2023 - 5.57% to 2025; decreasing by 0.16% per annum to an ultimate rate of 3.57%)

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

	2024	2023
Accrued benefit liability, opening balance	\$ 1,307,300	\$ 1,284,800
Current service costs	103,500	108,300
Interest on accrued benefit obligation	50,900	42,200
Benefits paid for the period	(92,900)	(102,200)
Amortization of actuarial gains	(34,700)	(25,800)
Accrued benefit liability, closing balance	\$ 1,334,100	\$ 1,307,300

The accrued benefit liability, includes the following components:

	2024	2023
Accrued benefit obligation	\$ 1,115,500	\$ 1,065,600
Unamortized actuarial gains	218,600	241,700
	\$ 1,334,100	\$ 1,307,300

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 7. Pension plan:

Substantially all of the employees of the Hospital 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 Hospital on behalf of its employees amounted to \$1,597,666 (2023 - \$1,271,812) 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 2023 Annual Report indicates the plan is fully funded at 115%.

## 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 Hospital'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:

	2024	2023
Balance, beginning of year	\$ 24,848,239	\$ 25,853,156
Additional contributions during the year	15,153,524	731,184
	40,001,763	26,584,340
Amounts amortized to revenue during the year	(1,553,533)	(1,736,101)
Balance, end of year	\$ 38,448,230	\$ 24,848,239

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

	2024	2023
Unamortized capital contributions used to purchase assets	\$ 38,448,230	\$ 23,911,662
Unspent capital contributions	-	936,577
	\$ 38,448,230	\$ 24,848,239

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 8. Deferred contributions related to capital assets (continued):

Included in unspent capital contributions is \$Nil (2023 - \$936,577) 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 Hospital's financial statements in the year of settlement.

## 9. Invested in capital assets:

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

	2024	2023
Capital assets	\$ 72,557,301	\$ 48,537,492
Amounts financed by:		
Deferred contributions	38,448,230	23,911,662
Amounts credited by the Foundation	8,583,313	8,583,313
Long-term debt	18,023,947	-
Balance, end of year	\$ 7,501,811	\$ 16,042,517

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

	2024	2023
Deficiency of revenue over expenses:		
Amortization of capital assets	\$ (2,838,661)	\$ (3,007,754)
Amortization of deferred contributions	1,553,533	1,736,101
Loss on disposal of capital assets	(61)	(325)
	\$ (1,285,189)	\$ (1,271,978)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 26,858,531	\$ 2,744,766
Amounts funded by deferred contributions	(16,090,101)	(1,994,607)
Proceeds on long-term debt	(18,023,947)	-
	\$ (7,255,517)	\$ 750,159

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 10. Related entities:

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

The Hospital 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 Hospital. In accordance with this arrangement, donations received by the Hospital are transferred to the Foundation for the purpose of interim investment and management. The Hospital has economic interest, but not control, in the Lennox and Addington County General Hospital Foundation.

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

- (i) The Hospital received amounts totaling \$3,580,746 (2023 - \$198,453) 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 Hospital received amounts totaling \$9,447 (2023 - \$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 Hospital 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 Hospital exercises significant influence, but not control, over Kingston Regional Hospital Laundry Incorporated.

Kingston Regional Hospital Laundry Incorporated provides laundry services to the Hospital 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 Hospital contributes toward approved capital improvements and replacement costs incurred by Kingston Regional Hospital Laundry Incorporated. During the year, the Hospital paid \$300,826 (2023 - \$259,686) to Kingston Regional Hospital Laundry Incorporated for laundry services.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 11. Contingent liabilities:

(a) The nature of the Hospital's 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 appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) Healthcare Insurance Reciprocal of Canada:

The 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, 2024.

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, 2024.

(c) Employment matters:

During the normal course of operation, the Hospital 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.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 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 Hospital is exposed to credit risk with respect to the accounts receivable and investments.

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.

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, 2024, \$146,506 (2023 - \$197,482) of trade accounts receivable were past due greater than 90 days, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital as at March 31, 2024 is the carrying value of these assets.

There have been no significant changes to the liquidity risk exposure from 2023.

### (b) Liquidity risk:

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

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

There have been no significant changes to the liquidity risk exposure from 2023.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital'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 2023.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

(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 Hospital to cash flow interest rate risk.

There have been no significant changes to the interest rate risk exposure from 2023.

## 14. Diabetes Education Program:

The Ministry funded \$296,280 (2023 - \$296,276) 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 \$216,215 during the year (2023 - \$225,788) for salaries, supplies and sundry expenses and a transfer to Kingston Health Sciences Centre of \$70,488 (2023 - \$70,488) to administer their portion of the Diabetes program.

## 15. Long-term care - convalescent care:

	2024	2023
Interim long-term care beds		
Revenue:		
Contributions - Ontario Health	\$ 3,419,348	\$ 3,203,865
Expenses:		
Nursing and personal care	1,978,242	1,795,802
Program and support services	366,720	357,345
Raw food	69,960	67,829
Other accommodations	1,490,355	1,136,993
Amortization (net)	79,009	57,469
	3,984,286	3,415,438
Deficiency of revenue over expenses	\$ (564,938)	\$ (211,573)

## 16. Hospice Lennox & Addington:

Ontario Health funded \$110,143 (2023 - \$107,336) for Hospice Lennox & Addington. These funds are transferred to Hospice Lennox & Addington to administer the program and are not included in the Hospital's Statement of Operations.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 17. Loan facilities:

Loan facilities consist of the following:

	2024	2023
Construction loan, Ontario Financing Authority, unsecured, bearing interest at the Ontario Treasury Bill rate plus 3.8%, repayment as described below	\$ 13,733,727	\$ –
Project loan, Ontario Financing Authority, unsecured, bearing interest at the lender's floating rate plus 3.3%, repayment as described below	4,290,220	–
	\$ 18,023,947	\$ –

The purpose of the construction loan is to finance the construction of a 128 bed long-term care facility as described in note 18. The purpose of the project loan is to finance the development of the regional hospital information system project as described in note 19.

The construction loan is a non-revolving loan facility to a maximum of \$31,500,000. During the construction period, no repayments are required pending the terms of the agreement are met, with interest being added to the principal balance. Provided that all conditions precedent to conversation have been satisfactorily completed, upon the earlier of substantial completion and August 26, 2025 the construction loan converts into a term loan with a 25-year amortization period, repayable in semi-annual blended payments, bearing interest at the Ontario Treasury Bill rate plus 3.8%.

The project loan is a non-revolving loan facility to a maximum of \$7,000,000. During the project development period, no repayments are required pending the terms of the agreement are met, and interest is added to the principal balance. Provided that all conditions precedent to conversation have been satisfactorily completed, upon the earlier of receipt of a completion certificate and December 31, 2025 the project loan converts into a term loan with a 15-year amortization period, repayable in semi-annual blended payments, bearing interest at the lender's floating rate plus 3.3%.

Interest accrued and added to the principal balance amounted to \$384,591 as at March 31, 2024.



# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## **18. Long-term care development project:**

In June 2023, the Hospital received approval from the Ministry to construct a 128 bed long-term care facility with an estimate project cost of \$60 million. The construction work commenced in June 2023 and is scheduled for completion in spring/summer 2025. The Hospital received a construction grant of \$10.368 million from the Ministry and has secured debt financing of \$31.5 million as described in note 17. The remaining balance of the project will be funded through internal funds and fundraising efforts.

As of March 31, 2024, the Hospital has incurred costs of \$22.6 million for the development of this project, which are included in capital assets on the Statement of Financial Position. The remaining balance of \$37.4 million is expected to be incurred in the 2025 fiscal year.

## **19. Regional hospital information system:**

The Hospital 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 Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs. In 2021, the Hospital's Board of Directors approved the project with a total cost of ownership of approximately \$11.2 million over 10 years.

Costs incurred to date of \$3.31 million (2023 - \$1.4 million) are included in capital assets on the Statement of Financial Position.

## **20. Asset retirement obligations:**

The Hospital'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.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 20. Asset retirement obligations (continued):

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

	2024	2023
Balance, beginning of year	\$ 351,000	\$ 351,000
Add: inflation adjustment	60,000	–
Less: obligation settled during the year	–	–
Balance, end of year	\$ 411,000	\$ 351,000

## 21. Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. During the year, the Hospital paid retroactive wage adjustments to active employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospitals' current wage rates and are included in the reported amount of salaries and wages.

In fiscal 2024, the Ministry provided the Hospital with funding to offset the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024.

## 22. Change in accounting policies:

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

- 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.
- 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 the financial statements of the Hospital as a result of the adoption of these standards.