Financial Statements of

# WEST HALDIMAND GENERAL HOSPITAL

And Independent Auditor's Report thereon

Year ended March 31, 2025

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# INDEPENDENT AUDITOR'S REPORT

To the Directors of West Haldimand General Hospital

## *Opinion*

We have audited the financial statements of West Haldimand General Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, and its results of operations, its remeasurement of gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## *Basis for Opinion*

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

We are independent of the 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.
- 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

Hamilton, Canada

June 23, 2025

# WEST HALDIMAND GENERAL HOSPITAL

Statement of Financial Position

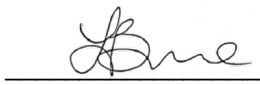
March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ – | $ – |
| Investments (note 2) | – | 346,976 |
| Accounts receivable (note 3) | 1,767,873 | 2,999,163 |
| Inventories | 101,997 | 92,066 |
| Prepaid expenses | 497,769 | 448,350 |
| Due from related party (note 4) | 603,168 | 902,226 |
| | 2,970,807 | 4,788,781 |
| Investments (note 2) | – | 172,011 |
| Property and equipment (note 5) | 12,831,179 | 12,029,288 |
| | $ 15,801,986 | $ 16,990,080 |
| **Liabilities and Net Deficit** | | |
| Current liabilities: | | |
| Bank indebtedness (note 6) | $ 5,931,488 | $ 4,535,148 |
| Accounts payable and accrued liabilities | 1,583,919 | 2,437,685 |
| Accrued payroll | 951,817 | 768,678 |
| Lease liability (note 5) | 9,319 | 8,645 |
| Deferred revenue | 6,519 | 7,303 |
| | 8,483,062 | 7,757,459 |
| Deferred capital contributions (note 7) | 10,331,954 | 10,150,424 |
| Lease liability (note 5) | 29,545 | 38,865 |
| Employee future benefits (note 8) | 644,229 | 620,061 |
| Asset retirement obligation (note 9) | 982,274 | 890,028 |
| | 11,988,002 | 11,699,378 |
| | 20,471,064 | 19,456,837 |
| Net deficit | (4,669,078) | (2,480,972) |
| Accumulated remeasurement gains | – | 14,215 |
| | (4,669,078) | (2,466,757) |
| Commitments and contingencies (note 10) | | |
| | $ 15,801,986 | $ 16,990,080 |

See accompanying notes to the financial statements.

On Behalf of the Board:

 Director

 Director

# WEST HALDIMAND GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| Revenue: | | |
| Ministry funding | $ 18,897,691 | $ 19,522,985 |
| OHIP and patient services revenue | 1,118,517 | 990,451 |
| Recoveries and other revenue | 898,257 | 765,975 |
| Amortization of deferred capital contributions | 530,411 | 451,158 |
| | 21,444,876 | 21,730,569 |
| Expenses: | | |
| Salaries and wages | 10,929,832 | 10,249,382 |
| Employee benefits | 3,300,786 | 2,929,860 |
| Medical staff remuneration | 3,547,192 | 3,326,722 |
| Medical and surgical supplies | 385,332 | 357,532 |
| Drugs | 255,631 | 218,281 |
| Other supplies and expenses | 4,340,277 | 4,095,733 |
| Amortization of operating equipment | 712,458 | 646,433 |
| | 23,471,508 | 21,823,943 |
| Deficiency of revenues over expenses before amortization, deferred contributions and accretion expenses | (2,026,632) | (93,374) |
| Amortization of deferred contributions related to buildings | 601,923 | 559,669 |
| Amortization of buildings | (671,151) | (609,813) |
| Accretion expense | (92,246) | (18,403) |
| | (161,474) | (68,547) |
| Deficiency of revenue over expenses | $ (2,188,106) | $ (161,921) |

See accompanying notes to the financial statements.

# WEST HALDIMAND GENERAL HOSPITAL

Statement of Changes in Net Deficit

Year ended March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| Net assets, beginning of year | $ (2,480,972) | $ (2,319,051) |
| Deficiency of revenue over expenses | (2,188,106) | (161,921) |
| Net deficit, end of year | $ (4,669,078) | $ (2,480,972) |

See accompanying notes to the financial statements.

# WEST HALDIMAND GENERAL HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Accumulated remeasurement gains, beginning of year | $ | 14,215 | $ | 5,120 |
| Unrealized losses attributable to investments | | (14,215) | | 9,095 |
| Accumulated remeasurement gains, end of year | $ | – | $ | 14,215 |

See accompanying notes to the financial statements.

# THE WEST HALDIMAND HOSPITAL

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenues over expenses | $ (2,188,106) | $ (161,921) |
| Items not involving cash: | | |
| Amortization of capital assets | 712,458 | 646,433 |
| Facility amortization expense | 671,151 | 609,813 |
| Amortization of deferred capital contributions related to facility | (601,923) | (559,669) |
| Amortization of deferred capital contributions related to capital assets | (530,411) | (451,158) |
| Accretion expense | 92,246 | 18,403 |
| | (1,844,585) | 165,086 |
| Change in non-cash operating working capital balances: | | |
| Accounts receivable | 1,231,290 | (1,454,701) |
| Inventories | (9,931) | 12,002 |
| Due from related party | 299,058 | (889,108) |
| Prepaid expenses | (49,419) | 235,766 |
| Accounts payable and accrued liabilities | (670,627) | (207,623) |
| Employee future benefits | 24,168 | 19,114 |
| Deferred revenue | 674 | (638) |
| Cash flow used in operating activities | (408,765) | (2,120,102) |
| Investing activities: | | |
| Purchase of investments | – | (50,358) |
| Purchase of capital assets | (2,185,500) | (3,621,653) |
| Proceeds from sale of investments | 504,772 | – |
| Cash flow used in capital activities | (1,680,728) | (3,735,196) |
| Financing activity: | | |
| Increase in deferred capital contributions related to capital assets | 1,313,864 | 1,422,846 |
| Lease liability (payments) net proceeds | (10,104) | 47,510 |
| Cash flow used in financing activities | 1,303,760 | (3,735,196) |
| Increase in bank indebtedness | (1,396,340) | (4,384,942) |
| Bank indebtedness, beginning of year | (4,535,148) | (150,206) |
| Bank indebtedness, end of year | $ (5,931,488) | $ (4,535,148) |

See accompanying notes to the financial statements.

West Haldimand General Hospital (the “Hospital”) is incorporated without share capital under the Corporations Act (Ontario) and provides health care and hospital services to residents of Haldimand County and the surrounding communities. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

The Hospital was established by Letters Patent dated January 11, 1960.

**1. Significant accounting policies:**

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

Significant accounting policies are as follows:

(a) Revenue recognition:

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

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 Provincial Insurance Plans, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

Amortization of buildings is not funded by the OH and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Parking and rental revenues are recognized when the service is provided.

Restricted investment income that is not externally restricted is recognized as revenue in the statement of operations in the year in which the related expenses are incurred. Unrestricted investment is recognized as revenue when earned.

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

(a) Revenue recognition (continued):

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 ("Ministry") and Ontario Health ("OH"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SM") for fiscal 2025 with the Ministry and OH that sets out the rights and obligations of the parties to the H-SM in respect of funding provided to the Hospital by the Ministry/OH. The H-SM also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas. 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 agreed arrangements approved by the Ministry/OH with respect to the year ended March 31, 2025.

(b) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory consists of food, drugs, and lab supplies held for patient care used in the Hospital's operations.

(c) Property and equipment:

Purchased capital assets are recorded at cost less accumulated amortization and costs associated with asset retirement obligation. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed as incurred. Betterments which extend the estimated life of an asset are capitalized. Capital projects not completed at year end are capitalized under Work in Progress and are amortized when they are substantially complete and ready for productive use.

When conditions indicate a tangible capital asset no longer contributes to the Hospital's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

Capital assets are amortized on a straight-line basis using the following annual rates, as provided by the Ministry guidelines:

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

(c) Property and equipment:

| Asset | Years |
|---|---|
| Building | 10 to 40 years |
| Building service equipment | 8 to 20 years |
| Land improvements | 5 to 20 years |
| Major equipment | 3 to 20 years |
| Software licenses | 3 years |

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

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

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

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

(e) Employee future benefits:

(i) Post-employment health, dental, and life insurance:

The Hospital offers extended health, dental and life insurance benefits to certain employee groups upon early retirement. The cost of these retirement benefits are actuarially determined using the projected benefit method prorated on service and incorporates management's best estimate of health care costs, disability recovery rates and discount rates. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2024.

Actuarial gains (losses) on the liability for post-employment benefits arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the liability for post-employment benefits. The 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 post-employment health, dental, and life insurance plan is 12.3 years (2024 – 12.6 years).

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

(ii) Pension:

Eligible employees of the Hospital are members of the Healthcare of Ontario Pension Plan (“HOOPP”). This plan is a multi-employer defined benefit plan. As HOOPP’s assets and liabilities are not segmented by participating employer, the Hospital accounts for contributions made to the plan as a defined contribution plan. Accordingly, contributions are included in employee benefits expense in the year the contributions are made.

(f) Asset retirement obligations:

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

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

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates include the carrying amount of capital asset, impairment of accounts receivable, estimation of accrued liabilities and valuation of employee future benefits. Actual results could differ from those estimates.

The revenue recognized from the Ministry and the OH requires some estimation. The hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry and the OH for the year ended March 31, 2025. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

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

(h) Contributed services and materials:

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

**2. Investments:**

| | 2025 | 2024 |
|---|---|---|
| Short-term | $ – | $ 346,976 |
| Long-term | – | 172,011 |
| | $ – | $ 518,987 |

## 3. Accounts receivable:

Accounts receivable is comprised of:

| | 2025 | 2024 |
|---|---|---|
| Ministry of Health | $ 611,283 | $ 1,853,258 |
| Patient | 720,370 | 576,878 |
| HST receivable | 252,337 | 371,194 |
| Other | 276,713 | 274,964 |
| Less: allowance for doubtful accounts | (92,830) | (77,131) |
| | $ 1,767,873 | $ 2,999,163 |

## 4. Due from related party:

The West Haldimand Hospital and Healthcare Foundation ("Foundation") and the West Haldimand General Hospital Auxiliary ("Auxiliary") primarily raise funds to support the Hospital's program and capital needs. The Foundation and Auxiliary are incorporated without share capital under the laws of the Province of Ontario and are charitable organizations registered under the Income Tax Act (Canada). The Hospital is considered to have an economic interest in the Foundation and Auxiliary. Both of these organizations raise their funds through various activities to support projects of the Hospital. During the year, the Foundation contributed $1,069,363 (2024 - $899,230) and Auxiliary contributed $10,669 (2024 - $105,191) towards the Hospital's equipment needs. An amount of $577,547 (2024 - $899,230) was receivable for capital at year end.

| | 2025 | 2024 |
|---|---|---|
| West Haldimand Hospital and Healthcare Foundation, unsecured, non-interest bearing, with no fixed terms of payment | $ 603,168 | $ 902,226 |

The finance function of the Foundation is provided by staff of the Hospital at a cost of $nil (2024 - $nil) and professional fees incurred by the Foundation and Auxiliary are paid for by the Hospital.

The Hospital and Norfolk General Hospital ("NGH") share management services and support. Shared expenses charged to the Hospital for the year was $826,469 (2024 - $736,349). Included in accounts payable at year end was $26,704 (2024 - $80,304) due to NGH. The Hospital is committed to this shared service agreement until March 31, 2025.

These transactions are recorded at the carrying amount.

## 5. Property and equipment:

| | Cost | Accumulated amortization | 2025 Net book value | 2024 Net book value |
|---|---|---|---|---|
| Land | $ 11,439 | $ – | $ 11,439 | $ 11,439 |
| Land improvements | 291,259 | 103,191 | 188,068 | 216,030 |
| Building | 9,335,675 | 6,395,649 | 2,940,026 | 2,351,983 |
| Building service equipment | 10,221,258 | 4,476,955 | 5,744,303 | 6,185,062 |
| Equipment | 14,534,038 | 11,292,128 | 3,241,910 | 2,537,745 |
| Construction in progress | 705,433 | – | 705,433 | 727,029 |
| | $ 35,099,102 | $ 22,267,923 | $ 12,831,179 | $ 12,029,288 |

Included in the major equipment is the cost of wireless network equipment, amounting to $49,571, purchased in 2024 on a capital lease. The monthly payments as per the lease agreement are $975. As at March 31, 2025, the relating lease liability is $38,864, out of which $9,319 is recorded as current liability and $29,545 is recorded as non-current liability in the statement of financial position.

## 6. Bank indebtedness:

The Hospital has an operating line available for its use at a rate of prime less 0.5% of $1,000,000. The Hospital has a temporary bulge in place on the LOC for up to $7,000,000.

As at year-end, the Hospital had drawn $5,310,034 (2024 - $4,908,003) under this facility.

## 7. Deferred capital contributions:

Deferred capital contributions related to buildings and equipment represent the unspent donations and grants received for the purchase of buildings and equipment, the unamortized portion of contributed buildings and equipment and the unamortized portion of restricted contributions with which buildings and equipment were originally purchased. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance for the period are as follows:

| | 2025 | 2024 |
|---|---|---|
| Opening | $ 10,150,424 | $ 9,738,405 |
| Add capital contributions received in the year from: | | |
| West Haldimand Hospital and Healthcare Foundation | 1,069,363 | 899,230 |
| WHGH Auxiliary | 10,669 | 105,191 |
| Other | – | 41,921 |
| MOH – HIRF | 233,832 | 376,504 |
| | 1,313,864 | 1,422,846 |
| Less: Amounts amortized to revenue | (1,132,334) | (1,010,827) |
| Ending balance | $ 10,331,954 | $ 10,150,424 |

**8. Employee future benefits:**

Certain employees of the Hospital are entitled to certain post-employment benefits. The Hospital recognized the present value of its obligation from these benefits as they are earned. At March 31, 2025, the Hospital's accrued benefit obligation relating to post-retirement benefits plans is $644,229 (2024 - $620,061). The most recent actuarial valuation of the employee future benefits for funding purposes was performed as at March 31, 2025 and the next required valuation will be as of March 31, 2026.

The main actuarial assumptions employed for the valuations are as follows:

(i) Interest (discount rate):

The obligation as at March 31, 2025, of the present value of future liabilities was determined using a discount rate of 4.04% (2024 – 4.04%).

Medical costs:

Medical costs were assumed to increase at the rate of 6.00% (2024 – 6.00%) and reducing by 0.2% per year to an ultimate rate of 4.00% (2024 – 4.00%) per annum.

(ii) Dental costs:

Dental costs were assumed to increase at the rate of 4.00% (2024 – 4.00%) per year.

Included in employee benefits on the statement of operations is an amount of $41,135 (2024 - $36,477) regarding employee future benefits. The amount is comprised of:

| | 2025 | 2024 |
|---|---|---|
| Current period benefit cost | $ 40,135 | $ 38,577 |
| Interest on accrued benefits | 17,800 | 16,200 |
| Amortization of actuarial gains | (16,800) | (18,300) |
| | $ 41,135 | $ 36,477 |

**8 . Employee future benefits (continued):**

Information about the accrued non-pension obligation and liability as at March 31, 2025, is as follows:

| | 2025 | 2024 |
|---|---|---|
| Accrued benefit obligation: | | |
| Balance, beginning of year | $ 409,073 | $ 371,473 |
| Current period benefit cost | 41,135 | 38,577 |
| Interest on accrued benefits | 17,800 | 16,200 |
| Benefits paid | (17,967) | (17,177) |
| Balance, end of year | 450,041 | 409,073 |
| Unamortized actuarial gains | 194,188 | 210,988 |
| Liability for benefits, end of year | $ 644,229 | $ 620,061 |

**9. Asset retirement obligation:**

The Hospital's financial statements include an asset retirement obligation for asbestos that had been used in the construction of their building. The related asset retirement costs have been capitalized and are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 4.26% (2024 – 4.53%). The estimated total undiscounted future expenditures are approximately $2,359,000, which are to be incurred over the remaining useful life of the building. The liability is expected to be settled over a 25 year time period, as the building is renovated.

The carrying amount of the liability is as follows:

| | 2025 | 2024 |
|---|---|---|
| Asset retirement obligation, beginning of year | $ 890,028 | $ 871,625 |
| Increase due to accretion expense | 92,246 | 18,403 |
| Asset retirement obligation, end of year | $ 982,274 | $ 890,028 |

The Hospital may be entitled to funding in assisting with the asbestos remediation costs. The amount of funding, if any, is unknown at this time.

**10. Commitments and contingencies:**

(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, 2025, 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) The Hospital has committed to a Master Planning Services agreement.

(c) During the normal course of business, 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 determined.

(d) The Hospital is consistently reviewing its pay equity. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in the financial statements.

**11. Pension benefits:**

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (“HOOPP”) which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to $766,822 (2024 - $718,261). These amounts are included in staff benefits expense on the statement of operations.

There are no material past service costs. The most recent HOOPP actuarial valuation of the Plan as of December 31, 2024 indicated the Plan has a 11% surplus in disclosed actuarial assets.

**12. Financial instruments classification:**

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

| | Fair value | Amortized cost |
|---|---|---|
| Bank indebtedness | $ (5,931,488) | $ – |
| Accounts receivable | – | 1,767,873 |
| Due from related party | – | 603,168 |
| Accounts payable and accrued liabilities | – | (1,583,919) |

**12. Financial instruments classification (continued):**

The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments:

Level 1 - derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2 - derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and liability.

Level 3 - derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash (bank indebtedness) and investments are measured as Level 1 financial instruments.

There were no transfers between levels for the year ended March 31, 2025.

**13. Financial risks:**

(a) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a patient or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Hospital consisting of cash and accounts receivable.

The maximum exposure to credit risk of the Hospital at March 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2025 is $92,830 (2024 - $77,131). There have been no significant changes to the credit risk exposure from 2024.

(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. There have been no significant changes to the liquidity risk exposure from 2024.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through the operating line of credit and the term loan.

There have been no significant changes to the interest rate risk exposure from 2024.

**14. Bill 124:**

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. During fiscal 2024, the Hospital submitted estimates of costs expected to incur based on the settlements. The Ministry provided funding to reimburse the Hospital for the retroactive salary costs incurred. The Hospital recognized $1.37 million in funding revenue, of which $244,000 pertains to expenses incurred from the previous fiscal year. The cumulative retroactive salary costs for fiscal years 2024 and prior amounted to $1.56 million. Of this total, $1.37 million was received in fiscal year 2024 as part of the aforementioned $1.37 million funding. During fiscal 2025 the ministry provided funding for bill 124 expenses.

**15. Future operations:**

The Hospital has reported financial deficits in each of the last three years, including the current year, with the Hospital's budget for the year ending March 31, 2026 reflecting a forecasted financial loss. As a result of these losses, the Hospital has incurred a reduction in its working capital and net asset position, with the Hospital reporting negative working capital and debt position at March 31, 2025.

Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the impact of recent wage settlements, inflationary cost pressures and financial pressures resulting from patient volumes and revenue not keeping pace with expenses.

As a result of its ongoing deficits, the Hospital has an increased level of reliance of the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels

**16. Comparative information:**

The comparative information has been updated to correspond with the presentation adopted in the current year.