

St. Marys Memorial Hospital

Financial statements

March 31, 2024



Independent auditor's report

To the Board of Directors of
St. Marys Memorial Hospital

Opinion

We have audited the financial statements of **St. Marys Memorial Hospital** [the "Hospital"], which comprise the statement of financial position as at March 31, 2024, and the statement of changes in net assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2024, and its results of operations 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 report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Ernst & Young LLP

London, Canada
June 10, 2024

Chartered Professional Accountants
Licensed Public Accountants



St. Marys Memorial Hospital

Incorporated without share capital under the laws of Ontario

Statement of financial position

As at March 31

	2024	2023
	\$	\$
Assets		
Current		
Cash	2,496,031	2,517,172
Accounts receivable <i>[note 3]</i>	1,750,024	1,104,958
Due from other Alliance entity <i>[note 4]</i>	346,799	1,607,000
Inventories <i>[note 5]</i>	91,943	90,397
Prepaid expenses	39,106	53,377
Total current assets	4,723,903	5,372,904
Property and equipment, net <i>[note 6]</i>	17,937,445	13,918,578
	22,661,348	19,291,482
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	3,298,007	3,603,328
Accrued salaries and wages	914,294	1,074,574
Current portion of post-employment benefits <i>[note 8[b]]</i>	56,485	47,608
Demand loans and current portion of term debt <i>[note 7]</i>	1,798,639	1,205,300
Total current liabilities	6,067,425	5,930,810
Term debt <i>[note 7]</i>	165,968	229,802
Post-employment benefits <i>[note 8[b]]</i>	1,018,578	1,023,737
Deferred contributions, capital <i>[note 9]</i>	13,416,989	9,939,829
Asset retirement obligation <i>[note 10]</i>	358,869	312,701
Total liabilities	21,027,829	17,436,879
Commitments and contingencies <i>[note 11]</i>		
Net assets	1,633,519	1,854,603
	22,661,348	19,291,482

See accompanying notes

On behalf of the Board:



Board Chair



Treasurer

St. Marys Memorial Hospital

Statement of changes in net assets

Year ended March 31

	2024	2023
	\$	\$
Net assets, beginning of year	1,854,603	2,394,084
Deficiency of revenue over expenses for the year	(221,084)	(539,481)
Net assets, end of year	1,633,519	1,854,603

See accompanying notes

St. Marys Memorial Hospital

Statement of operations

Year ended March 31

	2024	2023
	\$	\$
Revenue		
Ontario Health funding <i>[note 4]</i>	13,240,469	11,759,266
In-patient services	1,400	79,530
Out-patient services	1,900,567	1,852,131
Preferred accommodation	47,245	17,860
Chronic co-payment	66,941	72,894
Other revenue	525,830	579,918
Unrestricted benefits and bequests	17,610	45,068
Amortization of deferred contributions, capital – equipment	205,596	138,837
	16,005,658	14,545,504
Expenses		
Salaries and wages	8,025,501	7,195,030
Medical staff remuneration	2,434,129	2,279,149
Employee benefits	2,218,781	2,006,436
Supplies and other expenses	2,432,081	2,627,239
Medical and surgical supplies	222,153	198,151
Drugs	197,212	195,406
Amortization of equipment	440,309	376,479
Interest – non-building <i>[note 7]</i>	29,950	9,825
	16,000,116	14,887,715
Excess (deficiency) of revenue over expenses before the following	5,542	(342,211)
Amortization of deferred contributions, capital – buildings and land improvements	432,589	419,360
Amortization of buildings and land improvements	(584,004)	(578,828)
Interest on demand loans <i>[note 7]</i>	(64,579)	(27,520)
Accretion expense	(10,632)	(10,282)
	(226,626)	(197,270)
Deficiency of revenue over expenses for the year	(221,084)	(539,481)

See accompanying notes

St. Marys Memorial Hospital

Statement of cash flows

Year ended March 31

	2024	2023
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(221,084)	(539,481)
Add (deduct) items not involving cash		
Amortization of equipment	440,309	376,479
Amortization of buildings and land improvements	584,004	578,828
Loss (gain) on disposal of equipment	(32)	3,179
Amortization of deferred contributions, capital – equipment	(205,596)	(138,837)
Amortization of deferred contributions, capital – buildings and land improvements	(432,589)	(419,360)
Accretion of asset retirement obligation	10,632	10,282
Post-employment benefits	3,718	8,569
Change in carrying value of asset retirement obligation	35,536	—
	<u>214,898</u>	<u>(120,341)</u>
Net change in non-cash working capital balances related to operations <i>[note 13]</i>	162,259	1,089,598
Cash provided by operating activities	<u>377,157</u>	<u>969,257</u>
Capital activities		
Purchase of property and equipment	(5,043,434)	(1,642,204)
Proceeds on disposal of property and equipment	286	—
Cash used in capital activities	<u>(5,043,148)</u>	<u>(1,642,204)</u>
Financing activities		
Proceeds of demand loans	1,447,832	574,350
Repayments of demand loans	(918,327)	(206,600)
Contributions received related to capital	4,115,345	573,575
Cash provided by financing activities	<u>4,644,850</u>	<u>941,325</u>
Net increase (decrease) in cash during the year	(21,141)	268,378
Cash, beginning of year	2,517,172	2,248,794
Cash, end of year	<u>2,496,031</u>	<u>2,517,172</u>

See accompanying notes

St. Marys Memorial Hospital

Notes to financial statements

March 31, 2024

1. Purpose of the organization

St. Marys Memorial Hospital [the "Hospital"] was incorporated without share capital under the *Corporations Act* (Ontario). The Hospital is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income tax. The Hospital is funded primarily by Ontario Health. Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. There is no commitment that deficits incurred by the Hospital will be funded. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected.

The Hospital, along with Clinton Public Hospital, Seaforth Community Hospital and Stratford General Hospital, is a member of the Huron Perth Healthcare Alliance [the "Alliance"] and the individual hospitals' financial results are influenced by this membership [note 4].

The Hospital operates under a Hospital Service Accountability Agreement ["H-SAA"] with Ontario Health. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by Ontario Health. The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance.

If the Hospital does not meet certain performance standards and obligations, Ontario Health has the right to adjust some funding streams received by the Hospital. Given that Ontario Health is not required to communicate funding adjustments until after the submission of the year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

An amalgamation agreement [the "Agreement"] was approved between Clinton Public Hospital, Seaforth Community Hospital, St Marys Memorial Hospital and Stratford General Hospital [the "Hospitals"] to amalgamate to form one corporation in order to simplify management and governance. Upon the terms of the *Not-for-Profit Corporations Act*, 2010 (Ontario), the amalgamated entity continued under the name Huron Perth Healthcare Alliance. The Certificate of Amalgamation was approved by the Ministry of Health of Ontario with an effective date of amalgamation as of April 1, 2024. Effective April 1, 2024, the assets, liabilities and obligations of the Hospitals will be transferred into the new entity.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards specific to government not-for-profit organizations as set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

[a] Basis of presentation and use of estimates

The financial statements represent the operations of the Hospital and do not include the assets, liabilities and activities of affiliated organizations such as the St. Marys Hospital Foundation [the "Foundation"] and volunteer associations, which, although affiliated with the Hospital, are not operated or controlled by it.

St. Marys Memorial Hospital

Notes to financial statements

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The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The significant estimation processes relate to employee future benefits, asset retirement obligations, revenue recognized from Ontario Health, valuation of accounts receivable, and the useful life of property and equipment. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. Actual results could differ from those estimates.

[b] 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 estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are initially deferred and amortized to revenue on the same basis as the amortization rate for the related property and equipment.

Revenue from patient services, non-patient services and preferred accommodation is recognized when the services have been provided or when the goods have been sold.

[c] Inventories

Inventories are valued at the lower of cost and replacement cost for commercial inventory and the lower of cost and net realizable value for inventory for use on a weighted average basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

[d] Property and equipment

Property and equipment are valued at the cost incurred by the Hospital at the date of acquisition. All direct costs and interest related to building and equipment projects are capitalized during the period of construction until the project is complete.

Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Tangible

Land improvements	10–40 years
Buildings	10–50 years
Furnishings and equipment	3–25 years
Computer hardware	3–5 years

Intangible

Computer software	3–5 years
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No amortization is recorded on construction in progress until the related assets are put into productive use.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Hospital. When an item of property and equipment no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to residual value.

[e] Asset retirement obligations

Asset retirement obligations are recorded in the period during which a legal obligation associated with the retirement of a capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the amount required to retire a capital asset at the financial statement date. A corresponding amount is added to the carrying amount of the related capital asset and is then amortized over its remaining useful life. Changes in the liability due to the passage of time are recognized as an interest expense in the statement of operations, with a corresponding increase in the liability.

The estimated amounts of future costs to retire the assets are reviewed annually and adjusted to reflect the current best estimate of the liability. Adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement as well as changes in the legal requirements of the obligation, and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset. If the related capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations are recognized as an expense in the period incurred.

A liability continues to be recognized until it is settled or otherwise extinguished.

[f] Contributed materials and services

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recognized in the financial statements at their fair market value if the fair value can be reasonably estimated.

[g] Post-employment benefits

The Hospital accrues its obligations for post-employment benefits and the related costs, net of plan assets measured at fair value. The cost of post-employment benefits earned by employees is actuarially determined using the projected accrued benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Hospital's cost of borrowing rate. Differences arising from past service costs are expensed in the period of plan amendment. Differences arising from changes in assumptions and actuarial gains and losses are recognized in income on a straight-line basis over the expected average remaining service life of active employees, which is equal to 16.6 years.

St. Marys Memorial Hospital

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[h] Multi-employer defined benefit plan

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Hospital has insufficient information to apply defined benefit plan accounting.

[i] Financial instruments

All financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at fair market value, cost or amortized cost as follows:

- [i] Accounts receivable are carried at amortized cost, net of any provision for impairment.
- [ii] Accounts payable and accrued liabilities, accrued salaries and wages, and demand loans are carried at cost.

Transaction costs related to financial assets and financial liabilities measured at amortized cost are capitalized with the value of the instrument and amortized to income using the effective interest rate method. All other transaction costs are expensed as incurred.

[j] Remeasurement gains or losses

Remeasurement gains or losses are reported according to their nature, including changes in market value for derivatives, portfolio investments in equity instruments and financial instruments that have been designated to the fair value category. Also included are gains or losses in foreign exchange for items denominated in a foreign currency. As at March 31, 2024, there was no change in the accumulative deficiency of revenue over expenses for the fair value changes or foreign currency translation. Therefore, a statement of remeasurement gains and losses has not been disclosed.

[k] Adoption of new accounting standard

Revenue recognition

During the year, the Hospital adopted the new accounting standard, Section PS3400, Revenue. This standard establishes how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as “exchange transactions”, and transactions that do not have performance obligations, referred to as “non-exchange transactions”. The adoption of this new standard was applied prospectively and had no impact on the Hospital’s financial statements.

St. Marys Memorial Hospital

Notes to financial statements

March 31, 2024

3. Accounts receivable

Accounts receivable consist of the following:

	2024 \$	2023 \$
Ontario Health	915,833	823,500
Insurers and patients	143,045	172,000
Other	717,146	127,958
	<u>1,776,024</u>	<u>1,123,458</u>
Less allowance for doubtful accounts	26,000	18,500
	<u>1,750,024</u>	<u>1,104,958</u>

4. Huron Perth Healthcare Alliance

The combined operating surplus/deficit of the Alliance is shared based on the percent interest of each member hospital in the Alliance. Ontario Health revenue is adjusted between the four hospitals within the Alliance through a "Paymaster" account, to reflect the appropriate operating surplus/deficit.

	2024 \$	2023 \$
St. Marys Memorial Hospital provincial funding	11,531,314	10,073,032
Adjustment for the Hospital's share of the Alliance operating surplus/deficit	1,709,155	1,686,234
Provincial funding adjusted revenue	<u>13,240,469</u>	<u>11,759,266</u>

Property and equipment expenditures not funded by the local foundations and post-employment benefits are shared by all four hospitals based on their respective percent interest in the Alliance.

The amount owing from Stratford General Hospital as at March 31, 2024 is \$346,799 [2023 – \$1,607,000]. This amount is non-interest bearing with no set repayment terms. Transactions are in the normal course of business and recorded at the exchange amount, which is the amount agreed upon by both parties.

5. Inventories

During the year, the Hospital expensed \$352,462 [2023 – \$397,373] of inventories. There were no write-downs of inventories to net realizable value or any write-down reversals during the year or prior year.

St. Marys Memorial Hospital

Notes to financial statements

March 31, 2024

6. Property and equipment

Property and equipment consist of the following:

	2024		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land	231,937	—	231,937
Land improvements	229,865	117,573	112,292
Buildings	21,098,406	11,242,787	9,855,619
Furnishings and equipment	7,219,158	5,715,134	1,504,024
Computer hardware	899,238	755,332	143,906
Construction in progress	5,976,890	—	5,976,890
	35,655,494	17,830,826	17,824,668
Intangible			
Computer software	1,338,533	1,225,756	112,777
	36,994,027	19,056,582	17,937,445
	2023		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land	231,937	—	231,937
Land improvements	154,721	110,704	44,017
Buildings	19,950,423	10,671,574	9,278,849
Furnishings and equipment	6,843,113	5,419,528	1,423,585
Computer hardware	824,920	700,780	124,140
Construction in progress	2,712,473	—	2,712,473
	30,717,587	16,902,586	13,815,001
Intangible			
Computer software	1,270,954	1,167,377	103,577
	31,988,541	18,069,963	13,918,578

7. Demand loans and term debt

The Hospital has a joint and several obligation for the borrowings of the Alliance under the following loan facilities with the Canadian Imperial Bank of Commerce ["CIBC"] and Royal Bank of Canada ["RBC"].

- [a] Revolving demand facility [the "Facility"] of \$10,000,000 with RBC to finance general operating requirements. The Facility bears interest at the bank's prime rate [7.20%] minus 0.65%. As at March 31, 2024, nil [2023 – nil] has been drawn on the Facility by the Alliance.

St. Marys Memorial Hospital

Notes to financial statements

March 31, 2024

- [b] Revolving demand facility [the “Capital Facility”] of \$25,000,000 [2023 – \$25,000,000] with RBC to finance the acquisition of capital assets, including property and equipment. The Capital Facility bears interest at CORRA daily rate plus 0.800% per annum. As at March 31, 2024, \$15,835,000 [2023 – \$10,060,000] has been drawn on the Capital Facility by the Alliance, of which \$1,734,806 [2023 – \$1,141,467] is attributable to the Hospital.
- [c] Term facility [the “SSRP Facility”] with RBC that was used to finance the completion of the Stratford Site Redevelopment Project. The SSRP Facility bears interest at the bank’s prime rate [7.200%] minus 0.65%. As at March 31, 2024, \$1,000,418 [2023 – \$1,144,418] is outstanding from the Alliance on the SSRP Facility, of which nil [2023 – nil] is attributable to the Hospital. Interest payments are made monthly on the 26th day of each month, and annual principal payments are due March 31 of the respective year. The commitment period of the SSRP Facility will expire on March 31, 2029.
- [d] A committed instalment loan [the “Co-Gen Facility”] with CIBC that is being used to finance the Energy Co-Generation Project at the Stratford site. The Co-Gen Facility bears interest at the bank’s prime rate [7.20%] minus 0.75% and is due on demand. As at March 31, 2024, \$689,405 [2023 – \$880,906] is outstanding from the Alliance, of which \$229,801 [2023 – \$293,635] is attributable to the Hospital. The commitment period of the Co-Gen Facility will expire on April 30, 2025.
- [e] Revolving lease line of credit [the “Lease Facility”] of \$9,000,000 with RBC, by way of lease agreements with RBC, to finance the acquisition of capital assets, including equipment and software. The Lease Facility bears interest at the applicable rate contained in the respective lease agreement entered. As at March 31, 2024, nil [2023 – nil] has been drawn on the Lease Facility by the Alliance.

As at March 31, 2024, the total outstanding borrowings of the Alliance amount to \$17,524,823 [2023 – \$12,085,323]. Of this amount, the Hospital has a \$1,964,607 draw [2023 – \$1,435,102] from the Capital Facility and Co-Gen Facility to finance the acquisition of capital assets.

Loans that the lender can require to be repaid on demand are classified as current liabilities. Management does not believe that the demand features will be exercised in the current year. Principal repayments required on term debt over the next two years are as follows:

	\$
2025	63,833
2026	165,968
	<u>229,801</u>

St. Marys Memorial Hospital

Notes to financial statements

March 31, 2024

8. Post-employment benefits

[a] Pension plan

Substantially all of the full-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan [the "HOOPP"]. As the HOOPP is a multi-employer, defined benefit pension plan, no actuarial liability has been recorded on the Hospital's financial statements. Employer contributions to the HOOPP are expensed as contributions are due.

Employer contributions to the HOOPP during the year by the Hospital amounted to \$671,803 [2023 – \$626,939]. The most recent actuarial valuation for financial reporting purposes completed by the HOOPP as at December 31, 2023 disclosed net assets available for benefits of \$112,635 million [2022 – \$103,674 million] with pension obligations of \$102,454 million [2022 – \$92,721 million], resulting in a surplus of \$10,181 million [2022 – \$10,953 million]. The cost of pension benefits is determined by the HOOPP at \$1.26 per every dollar of employee contributions. As at December 31, 2023, the HOOPP was 115% funded [2022 – 117%].

[b] Post-employment benefits

Retirees and surviving spouses of retirees are eligible for life insurance, drug, other medical, dental and hospital benefits covered under the non-pension post-employment benefit plan [the "Plan"] after they turn 55. The Plan is funded on a pay-as-you-go basis, and the Hospital funds on a cash basis as benefits are paid. During the year, benefits paid totalled \$6,621 [2023 – \$19,779].

The most recent full actuarial valuation for funding purposes was completed by the Alliance's independent actuaries as at March 31, 2023.

The following table presents information related to the Hospital's post-employment benefits as at March 31, including the amounts recorded on the statement of financial position and components of net periodic benefit cost:

	2024	2023
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	735,900	808,104
Current service cost	46,200	52,569
Plan amendment in year	21,164	—
Interest cost	34,529	30,569
Benefits paid	(46,266)	(55,528)
Actuarial gain	(8,701)	(99,814)
Balance, end of year	782,826	735,900
Unamortized net actuarial gain	292,237	335,445
Post-employment benefits	1,075,063	1,071,345
Less current portion	56,485	47,608
	1,018,578	1,023,737

St. Marys Memorial Hospital

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March 31, 2024

The accrued benefit obligation for non-pension post-employment benefits is included in long-term liabilities as post-employment benefits, with the current portion of post-employment benefits separately disclosed. Unamortized actuarial gains are amortized over the expected average remaining service life of employees of the Hospital.

The Hospital's benefit plan expense is as follows:

	2024	2023
	\$	\$
Current service cost	46,200	52,569
Interest cost	34,529	30,569
Amortization of net actuarial gain	(30,745)	(19,041)
Post-employment benefits expense	49,984	64,097

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation and the expense for post-employment benefits are as follows:

	2024	2023
	%	%
Discount rate – net accrued benefit expense	4.55	3.67
Discount rate – accrued benefit obligation	4.65	4.55
Extended health care premium increases	4.90	4.60
Dental premium increases	5.36	5.14

The extended health care premiums are expected to decrease by 0.056% per annum to an ultimate rate of 4.0%. The expected average remaining service life of active employees is 17.8 years.

9. Deferred contributions, capital

Deferred contributions related to property and equipment are as follows:

	2024	2023
	\$	\$
Balance, beginning of year	9,939,829	9,924,451
Additional contributions received		
Ontario Health	449,218	535,793
Foundation [note 12]	3,656,312	40,856
Other	9,815	—
Amounts amortized to revenue	(638,185)	(558,197)
Amounts reduced due to disposal of equipment	—	(3,074)
Balance, end of year	13,416,989	9,939,829

St. Marys Memorial Hospital

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March 31, 2024

There were unspent contributions included in the balance of unamortized capital contributions related to property and equipment of nil [2023 – \$242,623].

10. Asset retirement obligation

The asset retirement obligation relates to the Hospital's buildings and is based on internal expert assessments and/or third-party engineering reports that estimate the costs of remediation. The buildings have no set retirement date; however, the remaining useful lives are 1–20 years, and the asset retirement obligation is amortized over the remaining period, on a straight-line basis.

The estimated total undiscounted expenditures are \$796,660 [2023 – \$1,720,002] and they are expected to be incurred and settled at the end of the buildings' useful life. The liability is calculated using a discount rate of 4.53% [2023 – 2.92%–3.40%]. Changes to the liability during the year are reflected in the table below. The Hospital does not anticipate that it will be able to recover any asset retirement costs from a third party. In addition, it has no legal requirement to fund this obligation and, as such, has not set aside any assets designated for payment of this liability.

The changes in the asset retirement obligation are as follows:

	2024	2023
	\$	\$
Asset retirement obligation, beginning of year	312,701	302,419
Accretion expense	10,632	10,282
Change in estimate	215,287	—
Change due to abatement during the year	(179,751)	—
Asset retirement obligation, end of year	358,869	312,701

11. Commitments and contingencies

The Hospital from time to time enters into multi-year service contracts in the normal course of operations. The amounts committed to these service contracts for the next five years and thereafter are as follows:

	\$
2025	1,457,557
2026	979,998
2027	443,058
2028	266,330
2029	185,536
Thereafter	355,115
	<u>3,687,594</u>

The Hospital is involved from time to time as plaintiff or defendant in various legal actions that arise in the normal course of operations. Any contingent gains arising on such actions are included in income when they are assured.

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Provisions for contingent losses are provided at such time as management concludes that a loss is likely and can be estimated. As at March 31, 2024, management believes adequate provision for losses has been made in the accounts.

The Hospital routinely engages in collective bargaining and is subject to various human rights matters under provincial legislation when employees or groups within the bargaining units file grievances against the Hospital or when the collective bargaining agreements are negotiated, which may result in retroactive pay.

The Hospital participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made for the year ended March 31, 2024 [2023 – nil].

The Hospital has a joint and several obligation for the borrowings of the Alliance under various loan facilities with CIBC and RBC. As at March 31, 2024, the total outstanding borrowings of the Alliance amount to \$17,524,823 [2023 – \$12,085,323]. Of this amount, the Hospital has drawn \$1,964,607 [2023 – \$1,435,102] *[note 7]*.

12. Related party transactions

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

[a] The Hospital receives donations from the Foundation. The Foundation has its own Board of Directors and is independent of the Hospital. The Foundation is incorporated under the laws of Ontario. It is registered as a public foundation and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. The assets, liabilities, revenue and expenses of the Foundation have not been included in these financial statements.

Donations of \$3,656,312 [2023 – \$40,856] were received from the Foundation for equipment purchases and capital projects. These amounts have been included in deferred contributions, capital *[note 9]*.

[b] Alliance operations – Stratford General Hospital is acting as the central financial processing entity for the Alliance, processing all accounts payable and payroll distributions for all four hospitals in the Alliance from its bank account. The Hospital reimburses Stratford General Hospital for its expenditures on a monthly basis *[note 4]*.

Transactions are in the normal course of business and recorded at the exchange amount, which is the amount agreed upon by both parties.

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13. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2024	2023
	\$	\$
Decrease (increase) in current assets		
Accounts receivable	(645,066)	(605,263)
Grant receivable	—	10,524
Due from other Alliance entity	1,260,201	(615,428)
Inventories	(1,546)	(5,487)
Prepaid expenses	14,271	13,225
	627,860	(1,202,429)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(305,321)	2,026,702
Accrued salaries and wages	(160,280)	265,325
	(465,601)	2,292,027
	162,259	1,089,598

14. Financial instruments and risk management

Risks and uncertainties

The Hospital is exposed to a range of financial risks including interest rate risk, credit risk and liquidity risk. The Hospital manages these risks in accordance with the Hospital's internal policies. The Hospital's results and operations have been and will continue to be impacted by the COVID-19 pandemic. The adverse effects include but are not limited to fluctuations in interest rates, increase in counterparty credit risk, volatility in financial markets and disruptions of operations. Significant uncertainty remains regarding the breadth and depth of these events and the long-term impact on the Hospital.

Interest rate risk

Interest rate risk refers to the effect on the future cash flows of a financial instrument due to fluctuations in interest rates. The Hospital is exposed to financial risk that arises from fluctuations in the interest rate on its credit facilities because the interest rate is linked to the banker's acceptance rate, which changes from time to time. Changes in variable interest rates could cause unanticipated fluctuations in the Hospital's operating results.

Credit risk

Credit risk arises from the possibility that the entities from which the Hospital receives funding may experience difficulty and be unable to fulfill their obligations. The majority of the Hospital's accounts receivable are owed by government agencies with good credit standing. As at year-end, patient and other accounts receivable total \$860,191 [2023 – \$299,958]. As a result, the requirement for credit-risk-related reserves for accounts receivable is minimal. The Hospital has no significant concentration of credit risk with any one individual customer. There are no significant past due or impaired balances as at March 31, 2024.

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Liquidity risk

Liquidity risk is the risk of the Hospital being unable to meet its obligations as they fall due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipated investing, capital and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The majority of accounts payable and accrued liabilities and accrued salaries and wages are expected to be settled in the next fiscal year. The maturities of other financial liabilities are provided in the notes to the financial statements related to those liabilities.