

Financial Statements of

**ST. FRANCIS MEMORIAL
HOSPITAL ASSOCIATION**

For the year ended March 31, 2025

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

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For the year ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Chair and Board of Directors of St. Francis Memorial Hospital Association

Opinion

We have audited the financial statements of the St. Francis Memorial Hospital Association (the Hospital), 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 Hospital as at March 31, 2025, and its financial performance, 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 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 19 of the financial statements which indicates that certain comparative information presented for the year ended March 31, 2024 has been restated.

Note 19 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.



Other Matter – Comparative Information

The financial statements as at and for the year ended March 31, 2024 excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 13, 2024.

As part of our audit of the financial statements as at and for the year ended March 31, 2025, we audited the adjustments that were applied to restate certain comparative information presented as at and for the year ended March 31, 2024. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2024. Accordingly, we do not express an opinion or any form of assurance on those financial statements taken as a whole.

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 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.



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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.
- 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, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 27, 2025

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Statement of Financial Position

March 31, 2025, with comparative information for 2024

	2025	2024
		(Restated - note 19)
Assets		
Current assets:		
Cash	\$ 6,152,896	\$ 5,527,483
Investments (note 2)	2,676,999	2,468,854
Accounts receivable (note 3)	932,159	820,759
Due from related party (note 4(b))	189,697	281,097
Inventory	163,917	163,894
Prepaid expenses	193,855	165,885
	10,309,523	9,427,972
Restricted cash equivalents (note 5)	485,580	414,851
Capital assets (note 6)	11,017,115	9,858,294
	\$ 21,812,218	\$ 19,701,117

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4(c))	\$ 4,726,530	\$ 4,271,459
Deferred contributions (note 7)	485,580	414,851
	5,212,110	4,686,310
Deferred contributions related to capital assets (note 8)	8,728,241	7,335,931
Asset retirement obligation (note 9)	213,360	207,933
Employee future benefits (note 10)	255,300	252,600
	14,409,011	12,482,774
Net assets:		
Investment in capital assets (note 11)	1,589,934	1,899,579
Unrestricted	5,418,108	4,990,575
	7,008,042	6,890,154
Accumulated remeasurement gains	395,165	328,189
	7,403,207	7,218,343

Commitments and contingencies (note 12)

	\$ 21,812,218	\$ 19,701,117
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See accompanying notes to financial statements.

On behalf of the Board:



ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Statement of Operations

For the year ended March 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Ministry of Health Ontario	\$ 13,212,196	\$ 12,316,753
Patient services	642,124	638,488
Preferred accommodation and chronic co-payments	160,932	106,153
Investment income	278,787	314,876
Other	723,319	828,933
Amortization of deferred contributions related to equipment	312,073	289,138
	15,329,431	14,494,341
Expenses:		
Salaries, wages and purchased services	7,074,056	6,860,281
Employee benefits	1,839,903	1,749,940
Medical staff remuneration	2,348,517	2,380,031
Medical and surgical supplies	184,775	177,565
Drugs	212,671	163,857
General supplies, services and other	3,055,116	2,788,513
Amortization of equipment	368,028	421,440
	15,083,066	14,541,627
Operating surplus (deficit)	246,365	(47,286)
Other programs:		
Revenue (Schedule A)	1,731,866	1,621,095
Expenses (Schedule A)	(1,731,866)	(1,621,095)
	—	—
Excess (deficiency) of revenue over expenses before amortization and non-recurring items	246,365	(47,286)
Amortization of deferred contributions related to land improvements, buildings and building service equipment	482,259	477,450
Amortization of land improvements, buildings and building service equipment	(610,736)	(591,814)
Excess (deficiency) of revenue over expenses before non-recurring items	117,888	(161,650)
Bill 124 retroactive funding (note 12)	—	504,250
Bill 124 retroactive wage adjustments (note 12)	—	(140,426)
Excess of revenue over expenses	\$ 117,888	\$ 202,174

See accompanying notes to financial statements.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Statement of Changes in Net Assets

For the year ended March 31, 2025, with comparative information for 2024

	Investment in capital assets	Unrestricted	2025 Total	2024 Total
				(Restated - note 19)
Net assets, beginning of year	\$ 1,899,579	\$ 4,990,575	\$ 6,890,154	\$ 6,453,898
Restatement (note 19)	—	—	—	234,082
Excess of revenue over expenses	—	117,888	117,888	202,174
Net change invested in capital assets (note 11)	(309,645)	309,645	—	—
Net assets, end of year	\$ 1,589,934	\$ 5,418,108	\$ 7,008,042	\$ 6,890,154

See accompanying notes to financial statements.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Statement of Accumulated Remeasurement Gains

For the year ended March 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains, beginning of year	\$ 328,189	\$ 250,895
Net unrealized gains attributable to investments	66,976	77,294
Accumulated remeasurement gains, end of year	\$ 395,165	\$ 328,189

See accompanying notes to financial statements.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Statement of Cash Flows

For the year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 117,888	\$ 202,174
Items not involving cash:		
Amortization of deferred contributions	(794,332)	(766,588)
Amortization of capital assets	978,764	1,013,254
Increase (decrease) in employee future benefits	2,700	(1,500)
Increase in asset retirement obligation	5,427	18,389
Net change in non-cash operating working capital items:		
Decrease (increase) in accounts receivable	(111,400)	143,534
Decrease in due from related party	91,400	134,943
Increase in inventory	(23)	(8,137)
Increase in prepaid expenses	(27,970)	(21,833)
Increase in accounts payable and accrued liabilities	455,071	805,716
Cash flows from (used for) operating activities	717,525	1,519,952
Financing activities:		
Deferred contributions received	2,257,371	626,259
Cash flows from financing activities	2,257,371	626,259
Investing activities:		
Additions to construction in progress	(1,105,394)	(982,874)
Additions to capital assets	(1,032,191)	(512,040)
Purchase of short-term investments	(1,125,169)	(737,748)
Proceeds on disposal of short-term investments	984,000	979,600
Change in restricted cash equivalents	(70,729)	460,691
Cash flows used for investing activities	(2,349,483)	(792,371)
Net increase in cash during the year	625,413	1,353,840
Cash, beginning of the year	5,527,483	4,173,643
Cash, end of the year	\$ 6,152,896	\$ 5,527,483

See accompanying notes to financial statements.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements

For the year ended March 31, 2025

St. Francis Memorial Hospital Association (the Hospital) is incorporated without share capital under the laws of the Province of Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

These financial statements reflect the assets, liabilities and operations of the St. Francis Memorial Hospital Association. They do not include the assets, liabilities or operations of its related entities which, although associated with the Hospital, are separately managed and report to a separate Board of Directors.

The Hospital is principally involved in providing health care services as a community hospital to the residents of Barry's Bay and surrounding area.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations, including the 4200 series of the standards, as issued by the Public Sector Accounting Board.

(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 Ontario Health in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the 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 funding arrangements approved by the Ministry with respect to the year ended March 31, 2025.

Capital grants for acquisition of capital assets are recorded as deferred credits and amortized to income in future years at the same rate as the related capital assets are amortized.

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.

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

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

Contributed capital assets are recorded at fair value at the date of contribution.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

1. Significant accounting policies (continued):

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value less a provision for any obsolete or unusable inventory on hand. Cost is determined on an average cost basis.

(d) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations 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 reporting period. Such estimates include judgments as to the valuation of the employee future benefits liability. Actual results could differ from these estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

(e) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Construction in progress comprises construction, development costs and interest capitalized during the construction period. Amortization is not recognized until construction is complete and the assets are ready for productive use. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable

When a capital asset no longer contributes to the Hospital's ability to provide services its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis over the following estimated useful lives:

Asset	Estimate useful life
Buildings	40 years
Land improvements	40 years
Equipment	5 to 20 years
Software license	15 years

Assets acquired during the year are amortized in the year of acquisition.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

1. Significant accounting policies (continued):

(f) Employee future benefits:

The Hospital accrues its obligations for benefit plans as the employees render the services necessary to earn these benefits. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, and management's best estimate of retirement ages of employees and expected health and dental care costs. The most recent actuarial valuation of the benefit plans was performed as at March 31, 2024 and extrapolated to March 31, 2025. The next required valuation will be as at March 31, 2027. Actuarial gains or losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains or losses over the accrued benefit obligation is amortized over the expected average remaining service period of active employees. The expected average remaining service period of the active employees covered by the benefit plans is 13 years (2024 - 13 years).

Adjustments arising from plan amendments are recognized immediately in the period of plan amendment.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

(g) Financial instruments:

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

(i) Fair value:

This category includes equity instruments quoted in an active market.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of accumulated remeasurement gains until they are realized, when they are transferred to the statements of operations.

Transaction costs related to the financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains associated with that instrument is removed from net assets and recognized in the statements of operations.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

(ii) Amortized cost:

This category includes accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on the financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statements of operations.

(h) Asset retirement obligation:

The Hospital recognizes the fair value of an Asset Retirement Obligation ("ARO") when all of the following criteria have been met:

- There is 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.

A liability for the removal of asbestos-containing materials in certain Hospital facilities has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the financial statements is recognized in the Statement of Operations at the time the remediation occurs.

(i) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is a non-monetary exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

2. Investments:

Investments consist of:

	2025	2024
Fixed income securities	\$ 1,927,109	\$ 1,785,911
Equities	749,890	682,943
	<u>\$ 2,676,999</u>	<u>\$ 2,468,854</u>

The investments are managed by investment managers who are under the direction of the Board of Directors. Market value is determined by reference to public markets as reported by the investment manager.

3. Accounts receivable:

Accounts receivable is comprised as follows:

	2025	2024
Ministry of Health Ontario	\$ 644,535	\$ 456,255
Insurers and patients	104,173	69,145
Other	193,045	306,746
	<u>941,753</u>	<u>832,146</u>
Less allowance for doubtful accounts	(9,594)	(11,387)
	<u>\$ 932,159</u>	<u>\$ 820,759</u>

4. Related entities:

(a) Eastern Ontario Regional Laboratory Association Inc.:

The Hospital is an owner/member of Eastern Ontario Regional Laboratory Association Inc. ("EORLA"). EORLA was established to provide an integration of laboratory and pathology services to the 16 member Hospitals on a cost of service basis. Effective April 1, 2012, a number of non-medical laboratory employees became employees of EORLA. The initial contract was for 10 years, but was extended by all members to March 31, 2024. A new 10 year contract signed by all members came into effect April 1, 2024. EORLA has assumed all liabilities related to lab and pathology services and charge all member Hospitals on a semi-monthly basis for their share of lab costs based on usage. Included in other supplies and expenses is an amount of \$978,425 (2024 - \$813,000) for the provision of laboratory and pathology services paid to EORLA. As an owner, the Hospital would be responsible for a portion of any operating losses, liabilities or significant capital requirements agreed to by the EORLA Board of Directors.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

4. Related entities (continued):

(b) St. Francis Valley Healthcare Foundation:

The Hospital has an economic interest in the St. Francis Valley Healthcare Foundation. The Foundation is a separate legal entity and reports to its own Board. Incorporated without share capital under the laws of Ontario, it is a registered charity under the Income Tax Act. Included in the accounts receivable is an amount of \$189,697 (2024 - \$281,097) due from the Foundation. This represents amounts pledged for capital projects.

(c) Renfrew Victoria Hospital:

The Hospital and Renfrew Victoria Hospital are related by virtue of having an integrated executive management team. The two hospitals operate as individual corporations under the Public Hospitals Act of Ontario, receive their own funding from the Government and are separate employers. Transactions are in the normal course of business and are measured at the exchange amount, which is considered to be the approximate market value. Included in accounts payable is an amount of \$68,306 (2024 - \$23,654) due to Renfrew Victoria Hospital.

5. Restricted cash equivalents:

Restricted cash equivalents relates to funding received for the new emergency department and other capital projects.

6. Capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated - note 19)
Land and land improvements	\$ 682,859	\$ 521,807	\$ 161,052	\$ 192,413
Buildings and building service equipment	16,895,467	10,973,313	5,922,154	5,933,798
Equipment	10,851,908	8,911,754	1,940,154	1,843,722
Construction in progress	2,993,755	—	2,993,755	1,888,361
	\$ 31,423,989	\$ 20,406,874	\$ 11,017,115	\$ 9,858,294

Cost and accumulated amortization as at March 31, 2024, amounted to \$29,286,404 and \$19,428,110 respectively.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

7. Deferred contributions:

Deferred contributions represent contributions received for expenses and capital purchases that will be incurred in future years. The changes for the year are as follows:

	2025	2024
Balance, beginning of year	\$ 414,851	\$ 1,449,780
Add: additional contributions received	1,340,790	626,259
Less: transfer to deferred capital contributions related to capital assets	(1,270,061)	(1,661,188)
Balance, end of year	\$ 485,580	\$ 414,851

8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

The changes in the deferred contribution balance are as follows:

	2025	2024
Balance, beginning of year	\$ 7,335,931	\$ 6,441,331
Add: additional contributions received	2,257,371	—
Add: transfer from (to) deferred contributions	(70,729)	1,661,188
Less: amounts amortized to revenue	(794,332)	(766,588)
Balance, end of year	\$ 8,728,241	\$ 7,335,931

9. Asset retirement obligation:

The Hospital has accrued for asset retirement obligation related to the legal requirement for the removal of remediation of asbestos-containing materials in the building owned by the Hospital. 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 materials in accordance with current legislation.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

9. Asset retirement obligation (continued):

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

	2025	2024
Balance, beginning of year	\$ 207,933	\$ 189,544
Cost escalation	5,427	34,543
Opening balance, as restated	213,360	224,087
Less: costs incurred	—	(16,154)
Balance, end of year	\$ 213,360	\$ 207,933

10. Employee future benefits:

The Hospital provides extended health and dental to certain employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of employee future benefits was completed as at March 31, 2024 and was extrapolated for as at March 31, 2025.

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

Discount rate for calculation of net benefit cost 3.95%.

Discount rate to determine accrued benefit obligation for disclosure at end of period 3.89%.

Dental and extended health costs in 2025 were based on the following assumed rates:

Dental costs were assumed to be 5.0% per annum.

Extended health care costs were assumed to be 5.97 % in 2025 to 2028 decreasing by 0.33% per annum to an ultimate rate of 3.57% per annum.

Information with respect to the Hospital's employee future benefit obligations is as follows:

Employee future benefit liabilities:

	2025	2024
Accrued benefit obligation	\$ 202,800	\$ 196,000
Unamortized actuarial gain	52,500	56,600
Accrued employee benefit obligation	\$ 255,300	\$ 252,600

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

10. Employee future benefits (continued):

Employee future benefit expense:

	2025	2024
Current year benefit cost	\$ 10,200	\$ 10,100
Interest on accrued benefit obligation	7,900	11,200
Amortized actuarial loss (gain)	(2,800)	1,200
Employee future benefit expense	\$ 15,300	\$ 22,500

11. Investment in capital assets:

(a) Investment in capital assets is comprised as follows:

	2025	2024
		(Restated – Note 19)
Capital assets	\$ 11,017,115	\$ 9,858,294
Less amounts financed by:		
Deferred contributions	(9,213,821)	(7,750,782)
Asset retirement obligation	(213,360)	(207,933)
	\$ 1,589,934	\$ 1,899,579

(b) Net transfer between investment in capital assets and unrestricted is calculated as follows:

	2025	2024
Amortization of deferred capital grants related to capital assets	\$ 794,332	\$ 766,588
Purchase of capital assets	2,137,585	1,494,914
Amortization of capital assets	(978,764)	(1,013,254)
Asset retirement obligation costs	(5,427)	(18,389)
Amounts funded by deferred capital grants	(2,257,371)	(626,259)
	\$ (309,645)	\$ 603,600

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

12. Commitments and contingencies:

(a) Legal matters and litigation:

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 coverages 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 Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. 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 year in which they were a subscriber. No such assessments were required during the year ended March 31, 2025.

(c) 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 triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has made payments as required for settled contracts, and recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

In 2024, the Ontario Ministry of Health provided funding to the Hospital to partially offset the cost of both the retroactive adjustments and the current year impact on salaries and wages. The funding received with respect to the retroactive adjustments was presented separately in the non-consolidated statement of operations. In 2025, the Ontario Ministry of Health provided base stabilization funding to the Hospital that fully funded the impacts of Bill 124.

13. Pension plan:

Substantially all of the employees of the Hospital are members of the Hospitals 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. Plan members will receive benefits based on the length of service and on the average annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

13. Pension plan (continued):

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on management's best estimate, in consultation with its actuaries, of the amount, together with employee contributions, 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 employee contributions.

Variances between actuarial funding estimates and actual experiences may be material and any differences are generally to be funded by the participating members. Contributions made during the year by the Hospital, amounted to \$497,881 (2024 - \$477,553) and are included in salaries, wages and benefits in the statements of operations.

14. Financial instrument risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to this risk relating to its cash, investments, and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

The Hospital's receivables are with governments, government funding agencies and patients. The Hospital believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established.

(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 30 days of receipt of an invoice.

The Hospital's liquidity risk has increased in the year due to the effect of on-going operating losses, payments made related to Bill 124, and payments made on long-term debt on its overall liquidity. The Hospital will require sufficient and timely funding from the Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

14. Financial instrument risk management (continued):

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk. The Hospital monitors market risk by reviewing investment portfolios for performance on a monthly basis.

(i) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuation in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is exposed to this risk through its interest bearing investments.

The Hospital's bond portfolio has interest rates ranging from 3.55% to 5.86% with maturities ranging from May 2025 to November 2026.

(ii) Currency and other price risk:

The Hospital believes it is not subject to significant currency or other price risk from its financial instruments as it holds insignificant amounts in foreign currencies and does not hold investments traded in an active market.

Other than liquidity risk disclosed above, the Hospital's financial risks arising from its financial instruments have not changed significantly in the year. Management believes that its financial risks are appropriately mitigated and do not pose a significant risk to the Hospital's on-going operations. There have been no significant changes in the policies, procedures and methods used to manage these risks in the year.

15. Hospital Information System:

On 1 June 2019, Renfrew Victoria Hospital along with the Ottawa Hospital, The University of Ottawa Heart Institute, Hawkesbury General Hospital and St. Francis Memorial Hospital went live with a shared Hospital Information System (HIS), EPIC. Each partner hospital is responsible for their respective on- site support costs as well as a percentage of the shared HIS costs. The Ottawa Hospital is the lead hospital for the partnership providing support and maintenance for the group and acting as paymaster for shared HIS operating costs.

The HIS partnership approves an annual budget for provision of services to support and maintain the single instance of EPIC. Each partner is responsible for shared HIS costs as determined using an agreed upon cost allocation methodology.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

15. Hospital Information System (continued):

As a partner of the shared HIS, St. Francis Memorial Hospital is responsible for shared HIS operating costs of \$186,412 (2024 - \$161,704) for the period April 1, 2024 to March 31, 2025. The actual shared HIS cost amount is determined based on actual HIS shared operating costs incurred by the partnership. A reconciliation at year end of actual HIS operating costs incurred will determine if a partner is required to contribute additional funds or be provided a refund.

Included in long term liabilities are capital payments payable to the Ottawa Hospital for EPIC software. The terms of payment for the software was spread over a seven year period with no interest accruing. As the Ottawa Hospital is the lead agency, St. Francis Memorial Hospital is committed to pay to the Ottawa Hospital their proportionate share of the outstanding balance.

16. Credit facility:

The Hospital has a credit facility with the Bank of Montreal which provides for a maximum borrowing of \$250,000. Interest on outstanding advances is charged at the bank's prime rate.

The Hospital did not use this facility in 2025 nor 2024 nor was there any outstanding balance owing as at March 31, 2025 or March 31, 2024.

17. Madawaska Valley Hospice Palliative Care:

The Hospital entered into a ten year lease with Madawaska Valley Hospice Palliative Care effective June 1, 2014. The Hospital, as lessor of the lease, has agreed to lease space to Madawaska Valley Hospice Palliative Care at a nominal amount of \$1 per year.

18. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the current year's financial statement presentation.

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Notes to Financial Statements (continued)

For the year ended March 31, 2025

19. Restatement of comparative information:

The Hospital has restated the comparative information for a material prior period error relating to the accumulated amortization of capital assets. During the current year, the capital assets amortization was recalculated based on the approved estimated useful life periods, and it was determined that the past recording of amortization expense and accumulated amortization was materially different from the recalculated amounts. The Hospital determined that the past recording and presentation was in error and has corrected this error in the comparative information, as follows:

As at March 31, 2024	As previously reported	Correction of immaterial prior period error	As restated
Statement of Financial Position:			
Capital assets	\$ 9,624,212	\$ 234,082	\$ 9,858,294
Total assets	19,467,035	234,082	19,701,117
Net assets investment in capital assets	1,665,497	234,082	1,899,579
Total net assets	6,984,261	234,082	7,218,343
Total liabilities and net assets	19,467,035	234,082	19,701,117

ST. FRANCIS MEMORIAL HOSPITAL ASSOCIATION

Schedule A - Other Funded Programs

For the year ended March 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Rainbow Valley Community Centre and cardiac clinic	\$ 1,028,624	\$ 1,009,898
Hospice	700,392	608,347
Municipal taxes	2,850	2,850
	1,731,866	1,621,095
Expenses:		
Rainbow Valley Community Centre:		
Salary and wages	471,210	488,722
Employee benefits	121,989	118,671
Other supplies and services	331,839	310,309
Cardiac clinic	103,586	92,196
Hospice	700,392	608,347
Municipal taxes	2,850	2,850
	1,731,866	1,621,095
Net revenue	\$ —	\$ —