

Strathroy Middlesex General Hospital
Financial Statements
For the year ended March 31, 2024

Strathroy Middlesex General Hospital
Financial Statements
For the year ended March 31, 2024

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Independent Auditor's Report

To the Board of Directors Strathroy Middlesex General Hospital

Opinion

We have audited the financial statements of Strathroy Middlesex General Hospital (the Hospital), which comprise the statements of financial position as at March 31, 2024, and the statement of changes in accumulated deficit, operations and 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 the results of its 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 these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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 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 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.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Ontario
June 26, 2024

Strathroy Middlesex General Hospital
Statement of Financial Position

March 31 2024 2023

Assets

Current

Cash (Note 6)	\$ 2,439,388	\$ 4,640,481
Accounts receivable (Note 3)	4,963,494	2,641,299
Inventory	139,750	129,368
Prepaid expenses	330,764	364,569

	7,873,396	7,775,717
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Tangible capital assets (Note 5)	29,268,390	24,987,532
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	\$ 37,141,786	\$ 32,763,249
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Liabilities and Accumulated deficit

Current

Accounts payable and accrued liabilities (Note 4)	\$ 9,829,211	\$ 7,540,483
Current portion of long-term debt (Note 8)	294,869	362,641
Current portion of obligation under capital lease (Note 9)	62,464	28,675

	10,186,544	7,931,799
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Deferred contributions relating to capital assets (Note 7)	23,682,260	21,939,545
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Post-employment benefits (Note 10)	1,198,400	1,132,100
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Obligation under capital lease (Note 9)	203,252	56,791
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Long-term debt (Note 8)	589,081	883,951
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Asset retirement obligations (Note 11)	15,061,662	13,667,743
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	50,921,199	45,611,929
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Contingencies and commitments (Note 15)

Accumulated deficit

Unrestricted	(13,779,413)	(12,848,680)
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	\$ 37,141,786	\$ 32,763,249
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On behalf of the Board of Directors:



Director



Director

The accompanying notes are an integral part of these financial statements.

Strathroy Middlesex General Hospital
Statement of Changes in Accumulated Deficit

For the year ended March 31,	2024	2023
Balance, beginning of year	\$(12,848,680)	\$ (11,244,879)
Deficiency of revenues over expenses	<u>(930,733)</u>	<u>(1,603,801)</u>
Balance, end of year	<u>\$(13,779,413)</u>	<u>\$ (12,848,680)</u>

The accompanying notes are an integral part of these financial statements.

Strathroy Middlesex General Hospital Statement of Operations

For the year ended March 31,	2024	2023
Revenues		
Ministry of Health and Ontario Health	\$46,195,651	\$ 40,416,593
Patient revenues	4,222,081	3,853,978
Differential and co-payment	173,591	167,646
Recoveries and miscellaneous	4,110,554	4,810,841
Amortization of deferred capital contributions, equipment (Note 7)	762,555	762,634
Other votes (Note 18)	11,550	11,550
	55,475,982	50,023,242
Expenses		
Salaries and wages	24,576,714	22,865,687
Employee benefits	6,743,172	6,240,825
Employee future benefits (Note 10)	136,400	130,800
Medical staff payments	8,154,781	7,456,401
Supplies and other expenses	9,062,543	8,081,900
Medical and surgical supplies	4,605,967	4,094,535
Drugs	843,256	808,239
Amortization of equipment (Note 5)	1,383,007	1,198,626
Accretion expense (Note 11)	591,452	534,522
Other votes (Note 18)	11,550	11,550
	56,108,842	51,423,085
Operating excess of expenses over revenues	(632,860)	(1,399,843)
Other revenues (expenses)		
Amortization of deferred capital contributions, building (Note 7)	1,387,454	1,401,086
Amortization of buildings and land improvements (Note 5)	(1,685,327)	(1,605,044)
	(297,873)	(203,958)
Deficiency of revenues over expenses	\$ (930,733)	\$ (1,603,801)

The accompanying notes are an integral part of these financial statements.

Strathroy Middlesex General Hospital
Statement of Cash Flows

For the year ended March 31,	2024	2023
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses	\$ (930,733)	\$ (1,603,801)
Items not involving cash		
Amortization of capital assets (Note 5)	3,068,334	2,803,670
Amortization of deferred contributions relating to capital assets (Note 7)	(2,150,009)	(2,163,720)
Accretion expense of asset retirement obligation	591,452	534,522
Increase in post-employment benefits liability	66,300	49,100
	<u>645,344</u>	<u>(380,229)</u>
Net changes in non-cash working capital balances:		
Accounts receivable	(2,322,195)	586,964
Inventory	(10,382)	2,030
Prepaid expenses	33,805	55,324
Accounts payable and accrued liabilities	2,288,728	(1,526,187)
	<u>635,300</u>	<u>(1,262,098)</u>
Capital activities		
Purchase of capital assets	(6,546,726)	(3,460,531)
Contribution received for capital assets	3,892,724	2,356,497
	<u>(2,654,002)</u>	<u>(1,104,034)</u>
Financing activities		
Proceeds from capital lease	221,096	-
Payments on capital lease	(40,845)	(39,360)
Proceeds from long-term debt	-	681,496
Repayment of long-term debt	(362,642)	(346,735)
	<u>(182,391)</u>	<u>295,401</u>
Decrease in cash and equivalents during the year	(2,201,093)	(2,070,731)
Cash and equivalents, beginning of year	4,640,481	6,711,212
Cash and equivalents, end of year	<u>\$ 2,439,388</u>	<u>\$ 4,640,481</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid in the year	\$ 63,696	\$ 50,781
Interest received in the year	\$ 96,578	\$ 108,733

The accompanying notes are an integral part of these financial statements.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies

Nature of Organization	<p>Strathroy Middlesex General Hospital (the "Hospital") provides health care services to the residents of Strathroy and surrounding areas. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada).</p> <p>The Hospital is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).</p>
Basis of Accounting	<p>The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAS for Government NPOs"). The Strathroy Middlesex General Hospital Foundation is a separate entity whose financial information is reported separately from the Hospital.</p>
Management Estimates	<p>The preparation of financial statements in conformity with PSAS for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of the allowance for doubtful accounts, asset retirement obligation, actuarial estimation of post-employment benefits, amortization of capital assets and deferred revenue.</p>
MOH and OH Funding	<p>Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and Ontario Health ("OH"). The financial statements reflect agreed funding arrangements approved by the MOH and OH with respect to the year ended March 31, 2024.</p>

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOH, and OH. The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2024 with the MOH and OH that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH/OH. The H-SAA 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.

If the Hospital does not meet its performance standards or obligations, the MOH/OH has the right to adjust funding received by the Hospital. The MOH/OH is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after completion of the financial statements, the amount of MOH/OH funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the MOH/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.

The revenues from government volume-based services and from chargeable-to-patient activities are recognized when the services are provided/performed.

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

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:

Fair value

This category includes cash.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the 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.

Writedowns on 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 writedown being recognized in the statement of operations.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of pharmaceuticals that are used in the Hospital's operations and not for sale purposes.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Tangible Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Building and related service equipment	5 - 40 years
Major equipment	3 - 20 years
Buildings for future expansion	20 years

Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized over its estimated useful life. Obligations under capital lease are reduced by lease payments net of imputed interest.

Leases not meeting certain criteria are accounted for as operating leases. These costs are expensed according to the period for which they relate.

Contributed Services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable 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.

Pension Plan

The Hospital participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Hospital accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

1. Significant Accounting Policies (continued)

Retirement and Post-Employment Benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

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.

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

2. Financial Instrument 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 shown below.

	Fair Value	Amortized Cost	Total
March 31, 2024			
Cash	\$ 2,439,388	\$ -	\$ 2,439,388
Accounts receivable	-	4,963,494	4,963,494
Accounts payable and accrued liabilities	-	9,829,211	9,829,211
Long-term debt	-	883,950	883,950
	<u>\$ 2,439,388</u>	<u>\$15,676,655</u>	<u>\$18,116,043</u>
March 31, 2023			
Cash	\$ 4,640,481	\$ -	\$ 4,640,481
Accounts receivable	-	2,641,299	2,641,299
Accounts payable and accrued liabilities	-	7,540,483	7,540,483
Long-term debt	-	1,246,592	1,246,592
	<u>\$ 4,640,481</u>	<u>\$ 11,428,374</u>	<u>\$ 16,068,855</u>

The cash is a level 1 fair value measurement which are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

3. Accounts Receivable

	Total	Current	Past Due			
			31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 56,285	\$ 42,301	\$ 2,305	\$ 315	\$ (45)	\$ 11,409
Outpatients	50,064	32,322	10,695	4,622	195	2,230
OHIP	535,500	376,082	74,403	1,211	83,754	50
MOH/OH	3,295,925	3,295,925	-	-	-	-
Miscellaneous	1,060,720	1,039,696	20,400	624	-	-
Gross receivables	4,998,494	4,786,326	107,803	6,772	83,904	13,689
Less: Impairment allowances	(35,000)	(35,000)	-	-	-	-
Net receivables	\$4,963,494	\$4,751,326	\$ 107,803	\$ 6,772	\$ 83,904	\$ 13,689

The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowances setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit equitability of debtors and their past history of payment.

4. Accounts Payable and Accrued Liabilities

	2024	2023
MOH/OH	\$ 2,408,485	\$ 1,057,530
Trade	756,673	613,964
Wages and other accruals	6,664,053	5,868,989
	\$ 9,829,211	\$ 7,540,483

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

5. Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 92,528	\$ -	\$ 92,528	\$ -
Building and related service equipment	50,223,976	30,858,777	48,519,538	29,173,450
Major equipment	28,878,960	24,644,313	27,225,153	23,261,306
Construction in progress	5,576,016	-	1,585,069	-
	\$84,771,480	\$55,503,090	\$ 77,422,288	\$ 52,434,756
Net book value		\$29,268,390		\$ 24,987,532

The amortization charge for the year is as follows:

	2024	2023
Building	\$ 1,685,327	\$ 1,605,044
Equipment	1,383,007	1,198,626
	\$ 3,068,334	\$ 2,803,670

Included in major equipment is equipment under capital lease with a cost of \$413,905 (2023 - \$192,809) and accumulated amortization of \$190,645 (2023 - \$117,856). Amortization expense includes amortization on equipment under capital lease of \$72,789 (2023 - \$39,268).

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

6. Cash

As at March 31, 2024, the Hospital had \$9,500,000 in available credit (2023 - \$9,500,000), consisting of a \$7,000,000 operating line (2023 - \$7,000,000), \$1,500,000 (2023 - \$1,500,000) demand instalment credit and \$1,000,000 (2023 - \$1,000,000) in available transfers from Four Counties Health Services, bearing interest at prime plus 0.50% (2023 - prime plus 0.50%). At year end, there were no draws on the operating line, \$770,494 (2023 - \$983,196) was drawn on the demand instalment credit and \$113,456 (2023 - \$263,196) was drawn from Four Counties Health Services.

7. Deferred Contributions Relating to Capital Assets

Deferred capital contributions represent the unamortized amount and unspent 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.

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$21,939,545	\$ 21,746,768
Contributions received	3,892,724	2,356,497
Amortized to revenue	<u>(2,150,009)</u>	<u>(2,163,720)</u>
Balance, end of year	<u>\$23,682,260</u>	<u>\$ 21,939,545</u>

As at March 31, 2024 there was \$5,156,107 (2023 - \$1,868,614) of deferred capital contributions received which were not being amortized into revenue as the related capital expenditure has not yet been made or put into use.

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

8. Long-term Debt

	2024	2023
Various draws - 2.3% - 5.3% interest, due December 2027, repayable in monthly instalments of \$19,775, unsecured	\$ 770,494	\$ 967,488
Equipment loan - 3% interest, due September 2025, repayable in monthly instalments of \$7,584, unsecured	113,456	199,653
Equipment loan - repaid during the year	-	15,908
Equipment loan - repaid during the year	-	63,543
	883,950	1,246,592
Less: current portion	294,869	362,641
	\$ 589,081	\$ 883,951

Principal repayments required on long-term debt over the next five years and thereafter are as follows:

Year	Amount
2025	\$ 294,869
2026	238,032
2027	211,470
2028	106,147
2029	33,432
Thereafter	-
	\$ 883,950

Amounts to be recovered from the Strathroy Middlesex General Hospital Foundation over the next two years in relation to the equipment loan disclosed above are as follows:

Year	Amount
2025	\$ 88,818
2026	24,638
	\$ 113,456

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

9. Obligations Under Capital Lease

	2024	2023
Obligation under capital lease - 7.96% due December 2028, repayable in monthly instalments of \$4,479 principal and interest	\$ 208,927	\$ -
Obligation under capital lease - 4.25%, due July 2026, repayable in monthly instalments of \$2,114 principal and interest	56,253	78,709
Obligation under capital lease - 4.90% due May 2024, repayable in monthly instalments of \$324 principal and interest	536	4,292
Obligation under capital lease - repaid during the year	-	2,465
	265,716	85,466
Less current portion	62,464	28,675
	\$ 203,252	\$ 56,791

Obligations under capital lease are secured by specific digital imaging equipment.

Principal payments required on obligations under capital lease for the next five years are as follows:

Year	Amount
2025	\$ 62,464
2026	66,122
2027	53,499
2028	48,843
2029	34,788
	\$ 265,716

Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2024

10. Post-Employment Benefits

The Healthcare of Ontario Pension Plan ("HOOPP") has substantially all of the full-time employees enrolled in it. On October 1, 2015, all part-time and non-full-time employees became eligible to join the Plan immediately. Some of the part-time employees are enrolled into HOOPP. Contributions to the plan made during the year by the Hospital on behalf of these employees amounted to \$2,240,827 (2023 - \$1,993,123). Contributions to the plan made during the year by the employees amounted to \$1,778,428 (2023 - \$1,581,841). These are included in the "Employee Benefits" section of the Statement of Operations. For 2024, the Hospital had a liability of \$226,582 (2023 - \$370,892), associated with the Pension Plan.

As a result of restructuring and staff reductions, early retirement packages have been made available to eligible Hospital employees. Eligible full-time employees who opted for early retirement received a continuation of their current health care benefits, up to the age of 65.

The Hospital also pays 50% of the premiums for health and dental benefits of the Ontario Nurses' Association (ONA) members that retired after April 1, 2011, from the date of retirement until the individual reaches the age of 65.

The "Employee future benefit" liability is actuarially determined using the projected accrued benefit cost method, pro-rata on service, and reflects Management's best estimate of future cost trends associated with such benefits and interest rates. The Plan amendments are amortized over the expected average remaining service to full eligibility of the active employees. The cumulative gains and losses in excess of 10% of the beginning of the year accrued benefit obligation are amortized over the expected average remaining service to the expected retirement age of active employees (11.9 years).

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2024, is as follows:

	2024	2023
Accrued benefit obligation - beginning of year	\$1,132,100	\$1,134,600
Less: Unamortized net actuarial (gain)/loss	66,300	(2,500)
Accrued Benefit Liability - End of Year	\$1,198,400	\$ 1,132,100

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

Discounted rate:	
Beginning of year	4.04%
End of year	3.95%
Weighted average health care trend rate	
Initial	4.45%
Ultimate	4.10%
Year "Ultimate" reached	2040

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

10. Post-Employment Benefits (continued)

The actuarial valuation is for the period April 1, 2023 through March 31, 2024. Included in Employee Benefits on the Statement of Operations is an amount of \$136,400 (2023 - \$130,800) related to employee future benefits.

	2024	2023
Current Year Benefit cost:	\$ 78,300	\$ 76,800
Interest on accrued benefit obligation	47,700	44,200
Amortized actuarial gain	10,400	9,800
	<hr/>	<hr/>
Total Expense	\$ 136,400	\$ 130,800

Above amounts exclude pension contributions to the HOOPP, a multi-employer plan, described above.

11. Asset Retirement Obligations

The Hospital's financial statements include an asset retirement obligation for the asbestos that had been used in construction of the hospital buildings throughout its course of operations. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with a discount rate of 4.07% (2023 - 4.07%). The estimated total undiscounted future expenditures are \$15,061,662 (2023 - \$13,667,743), which are to be incurred over the remaining useful life of the buildings. The liability is expected to be settled as the building is renovated.

The carrying amount of the liability is as follows:

	2024	2023
Asset retirement obligation, beginning of year	\$13,667,743	\$ 13,133,221
Increase due to accretion expense	591,452	534,522
Increase due to revisions in estimated cash flows	802,467	-
	<hr/>	<hr/>
Asset retirement obligation, end of year	\$15,061,662	\$ 13,667,743

The Hospital is required to provide The Office of the Provincial Controller Division updated information on the asset retirement obligations associated with fully amortized assets still in productive use as at April 1, 2023. This requirement is met through the presentation of the financial statements as at March 31, 2024.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

12. Related Entities

a) Strathroy Middlesex General Hospital Foundation

The Strathroy Middlesex General Hospital Foundation is a separate legal entity. The Foundation raises funds for capital acquisition and other related purposes of the Hospital. The Foundation is incorporated under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

During the year, the Foundation transferred \$439,764 (2023 - \$1,269,544) to the Hospital to be used for the purchase of capital assets and \$263,572 (2023 - \$273,992) for operations (education and capital lease).

b) Strathroy Middlesex General Hospital Auxiliary

The Auxiliary is an ancillary volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the Hospital and the community.

c) Four Counties Health Services

Strathroy Middlesex General Hospital is related to Four Counties Health Services as they are controlled by an identical Board of Directors. Four Counties Health Services is a hospital in Newbury, Ontario and registered charity under the Income Tax Act (Canada). Four Counties Health Services has created a Local Advisory Committee whose purpose is to advocate for the local community. Staff and other resources are also shared between both Hospitals. During the year, Strathroy Middlesex General Hospital recovered remuneration of \$1,958,867 (2023 - \$1,605,402) from Four Counties Health Services, and reimbursed Four Counties Health Services \$338,538 (2023 - \$415,628) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase. At March 31, 2024, \$249,435 (2023 - \$380,272) was included in accounts receivable and \$54,705 (2023 - \$33,815) was included in accounts payable, relating to balances owing from Four Counties Health Services.

The Hospital has an agreement with Four Counties Health Services, in which they can receive up to \$1,000,000 at an interest rate of prime plus 0.50%, should the Hospital require the funds for the purchase of capital equipment. The loan is to be repaid over seven years, in equal monthly instalments. A new Radiology Suite was purchased in December 2018, \$646,567 was advanced from Four Counties Health Services. The loan is recorded at amortized cost and payments in the year amounted to \$91,008 (2023 - \$91,008) including \$4,811 (2023 - \$7,355) for interest (Note 8). New Scopes for Endoscopy were purchased in October 2019, \$322,038 has been advanced from Four Counties Health Services. The loan is recorded at amortized cost and payments in the year amounted to \$64,513 (2023 - \$69,439) including \$970 (2023 - \$2,991) for interest (Note 8).

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

12. Related Entities (continued)

The following financial information was reported by Four Counties Health Services for the year ended March 31, 2024:

	2024	2023
Financial position		
Total assets	\$ 15,614,421	\$ 17,058,048
Total liabilities	(10,296,501)	(10,520,926)
Net assets	\$ 5,317,920	\$ 6,537,122
Operations		
Revenues	\$ 15,201,444	\$ 13,724,967
Expenses	(16,372,192)	(14,586,960)
Other revenues (expenses)	(208,845)	(196,338)
Deficiency of revenues over expenses	\$ (1,379,593)	\$ (1,058,331)

All transactions between Strathroy Middlesex General Hospital and its related parties are recorded at cost.

13. Economic Dependence

The Hospital received 86% of its total revenue for the year ended March 31, 2024 (2023 - 84%) from the MOH/OH.

14. Capital Management

The Hospital's primary objective when managing capital is to safeguard the entity's ability to deliver comprehensive family-centred patient care in a rural and community-focused health service setting in collaboration and integration with our healthcare partners. The Hospital defines its capital as its cash and net assets, both restricted and unrestricted. The Hospital monitors its cash position on a weekly basis and reviews the current ratio and working capital position on a monthly basis.

The Hospital manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Strathroy Middlesex General Hospital Foundation provides the annual capital equipment support, which is paid on a predetermined basis during the fiscal year. In order to adjust the capital structure the Hospital may sell or purchase investments, utilize the approved operating line of credit, or any advances from the Ontario Health. Longer term borrowing arrangements with financial institutions are also in place. There have been no changes in what the Hospital defines as capital, or the objectives, policies and procedures for managing capital, in the year.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

15. Contingencies and Commitments

The Hospital has been named defendant in certain legal actions. The final liability, if any, of these claims is indeterminable as the Hospital has established defense actions and further, in the opinion of legal counsel and the Hospital's insurance adjustors, should any claim be successful, it would be subject to material coverage by the Hospital's policies of insurance. See Note 17 regarding HIROC contingencies.

OH has announced the availability of operating funding for a MRI at the Hospital. Accordingly, the Hospital has committed to constructing a new MRI, which it forecasts will have a capital cost of \$7.2M, including costs related to the relocation of existing services to make room for the new MRI. To date the Strathroy Middlesex General Hospital Foundation has committed \$5M in capital funding to support the project. Construction for this project began in February 2024 and the new MRI is expected to be operational for March 2025.

The Hospital is committed under building leases to rent certain property in Strathroy over the next five years. Expected payments related to these leases are as follows:

Year	Amount
2025	\$194,563
2026	\$198,333
2027	\$202,099
2028	\$205,873
2029	\$165,346

16. Financial Instrument Risk Management

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2023 - \$100,000).

Accounts receivable is primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collection (Note 3). The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit quality of debtors and their past history of payment.

Strathroy Middlesex General Hospital

Notes to Financial Statements

March 31, 2024

16. Financial Instrument Risk Management (continued)

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: Interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations 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 capital lease obligation (Note 9).

Liquidity rate risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	6 months	6 months to 1 year	1 - 5 years
Accounts payable	\$ 9,829,211	\$ -	\$ -
Long-term debt	145,801	149,068	604,988
	<u>\$ 9,975,012</u>	<u>\$ 149,068</u>	<u>\$ 604,988</u>

17. HIROC

On July 1, 1987, a group of health care organizations, ("subscribers"), formed 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 years in which they were a subscriber. No such assessments have been made to current date.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. No such disbursements have been made to current date.

Strathroy Middlesex General Hospital
Notes to Financial Statements

March 31, 2024

18. Other Votes

Other votes reflects a separate funding stream from the MOH/OH for programs not typically part of the base, Quality-Based Procedures, Wait Time, or Health-Based Allocation Model funding. Other votes consists of the funding and related expenses for municipal taxes.

19. Comparative Figures

Comparative figures have been modified to remain consistent with current formatting.
