Northumberland Hills Hospital

Financial Statements

For the year ended March 31, 2025

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Northumberland Hills Hospital

Opinion

We have audited the financial statements of the Northumberland Hills Hospital (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, 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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 11, 2025

Northumberland Hills Hospital

Statement of Financial Position

As at	March 31, 2025	March 31, 2024
Assets		
Current assets		
Cash (Note 5)	$ 5,462,403	$ 8,062,815
Accounts receivable, net of allowance for doubtful accounts (Note 2)	7,835,500	9,446,314
Inventories	1,565,914	1,425,233
Prepaid expenses	1,346,467	1,536,217
	16,210,284	20,470,579
Capital assets (Note 3)	49,891,931	47,886,546
	$ 66,102,215	$ 68,357,125
Liabilities and Net Assets		
Current liabilities		
Provincial cash advance (Note 4)	$ -	$ 1,367,919
Accounts payable and accrued liabilities	14,309,756	16,739,147
Accrued salaries and benefits	8,298,748	7,528,341
Current portion of accrued employee benefit liability (Note 6)	123,600	183,800
Current term portion of equipment contract (Note 9)	-	110,003
	22,732,104	25,929,210
Long-term liabilities		
Accrued employee benefit liability (Note 6)	3,728,900	3,852,500
Deferred capital contributions (Note 7)	41,067,626	40,761,578
Long term portion of equipment contract (Note 9)	-	-
	44,796,526	44,614,078
Total liabilities	67,528,630	70,543,288
Contingent liabilities (Note 10)		
Commitments (Note 11)		
Guarantees (Note 12)		
Net assets		
Internally restricted	2,492,817	3,318,829
Unrestricted	(3,919,232)	(5,504,992)
Net assets (Deficiency)	(1,426,415)	(2,186,163)
Subsequent event (Note 18)		
	$ 66,102,215	$ 68,357,125

Approved by the Board of Directors

____________________ Director ____________________ Director

Northumberland Hills Hospital

Statement of Revenue and Expenses

For the year ended March 31	2025	2024
Revenue		
Base operating funding	$ 77,066,226	$ 63,611,606
One-time operating funding (Note 18)	17,197,832	15,527,753
Separately funded programs - other votes	5,609,481	6,152,619
Separately funded programs - satellite renal program	2,414,704	2,316,447
Patient revenue	14,652,659	13,215,577
Differential and co-payment revenue	811,516	899,821
Other revenue	10,751,954	9,654,368
Amortization of deferred capital contributions related to major equipment and software licences (Note 8)	2,786,864	2,842,791
	131,291,236	114,220,982
Expenses		
Salaries and wages	57,080,486	53,350,850
Employee benefits	14,180,247	12,780,200
	71,260,733	66,131,050
Medical remuneration	14,774,693	12,511,873
Medical and surgical supplies	4,142,284	3,965,176
Drugs and medical gases	10,301,802	9,103,175
Supplies	4,506,180	4,275,295
Equipment and maintenance	6,703,524	5,382,366
Professional fees	1,501,500	1,140,592
Referred out contracted services	2,700,006	2,455,255
Interest (Note 4)	76,768	39,896
Sundry	1,987,592	1,674,005
Separately funded programs - other votes	6,227,698	6,277,340
Separately funded programs - satellite renal program	2,798,808	2,631,719
Amortization of major equipment and software licences (Note 8)	3,136,386	3,057,599
	130,117,974	118,645,341
Excess of revenue over expenses before the undernoted	1,173,262	(4,424,359)
Gain (Loss) on disposal of capital assets	-	500
Amortization of deferred capital contributions related to land improvements, buildings and building service equipment (Note 8)	1,559,390	1,558,719
Amortization of land improvements, buildings and building service equipment (Note 8)	(1,972,903)	(1,840,296)
Excess of revenue over expenses (expenses over revenue)	$ 759,748	$ (4,705,436)

Northumberland Hills Hospital

Statement of Changes in Net Assets (Deficiency)

For the year ended March 31		Unrestricted		Internally Restricted		2025		2024
Net assets (deficiency), beginning of year	$	(5,504,992)	$	3,318,829	$	(2,186,163)	$	2,519,273
Excess of revenue over expenses (expenses over revenue)	$	759,748	$	-		759,748		(4,705,436)
Interfund transfers	$	826,012	$	(826,012)	$	-	$	-
Net assets (deficiency), end of year	$	(3,919,232)	$	2,492,817	$	(1,426,415)	$	(2,186,163)

Northumberland Hills Hospital

Statement of Cash Flows

For the year ended March 31	2025	2024
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses (expenses over revenue)	759,748	$ (4,705,436)
Adjustment for items which do not affect cash		
Amortization of deferred capital contributions	(4,346,254)	(4,401,510)
Amortization of capital assets	5,109,289	4,897,895
Gain on disposal of capital assets	-	(500)
Post-retirement employee benefits expense for year	96,600	30,500
	1,619,384	(4,179,051)
Net increase in non-cash working capital (Note 15)	(1,647,421)	339,088
	(28,037)	(3,839,963)
Financing activities		
Payments on equipment contract	(110,003)	(212,113)
	(110,003)	(212,113)
Capital activities		
Proceeds from disposal of capital assets	-	500
Purchase of capital assets	(7,114,674)	(4,006,151)
Donations and capital grants	4,652,302	2,032,745
	(2,462,372)	(1,972,906)
Increase (decrease) in cash	(2,600,412)	(6,024,982)
Cash at beginning of year	8,062,815	14,087,797
Cash at end of year	5,462,403	$ 8,062,815

Northumberland Hills Hospital

Summary of Significant Accounting Policies

Year ended March 31, 2025

Accounting Standards

On April 1, 2012, the Hospital adopted Canadian public sector accounting standards. The Hospital has also elected to apply the 4200 standards for government not-for-profit organizations.

Revenue Recognition

Northumberland Hills Hospital ("Hospital") is funded primarily by the Province of Ontario in accordance with accountability and contractual arrangements entered into with the Ministry of Health ("Ministry") and Ontario Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. One-time funding is recognized when the terms and conditions of the grant are met.

The Hospital follows the deferral method of accounting for contributions which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Health Insurance Plan, preferred accommodation and other revenue is recognized when the associated performance obligations are achieved.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. The fair value of these contributed services is not recorded in the financial statements.

Inventories

Inventories are measured at the lower of cost and net realizable value by using first-in, first-out inventory and/or weighted average costing methodology.

Capital Assets

Capital assets are recorded at cost. Betterments which extend the estimated life of an asset are capitalized. Repairs and maintenance costs are charged to expense. Gains and losses on the disposal of capital assets are credited or charged to operations in the year of disposal. Interest costs incurred on debt incurred for assets under construction are capitalized until the asset is placed in service.

Construction in progress is not amortized until the project is complete and the facilities come into use.

Equipment under leases that effectively transfer substantially all of the benefits and risks of ownership to the Hospital as lessee is recorded as a capital asset at the present value of the minimum payments under the lease with a corresponding liability for the related lease obligation. Charges to expenses are made for amortization of the equipment and interest inherent in the lease obligation. Leases not meeting the conditions of a capital lease are treated as operating leases.

Capital Assets (continued)

Capital assets are amortized according to Ministry guidelines on a straight-line basis using the following annual rates:

Buildings	2.50%
Building service equipment	5%
Land improvements	5% to 20%
Equipment	5% to 20%
Software licences and related costs	20%

Employee Future Benefits

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

Actuarial gains (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 net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The expected average remaining service life to retirement of the active employees covered by the other retirement benefits plan is 17 years (2024 - 14 years).

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

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

The most recent funding of this multi-employer pension plan conducted as at December 31, 2024 disclosed actuarial assets of $123.0 billion with accrued pension liabilities of $112.6 billion, resulting in a surplus of $10.4 billion. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2024 based on the assumptions and methods adopted for the valuation.

Financial Instruments

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

Long term debt is recorded at amortized cost.

Northumberland Hills Hospital

Summary of Significant Accounting Policies

Year ended March 31, 2025

Use of Estimates	In preparing the financial statements in accordance with Canadian public sector accounting standards, management is required to make estimates and assumptions to determine the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
Statement of Remeasurement Gains and Losses	A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2025.
Asset Retirement Obligations	Asset retirement obligations: The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met: • there is a legal obligation to incur retirement costs in relation to a tangible capital asset; • the past transaction or event giving rise to the liability has occurred; • it is expected that future economic benefits will be given up; and • a reasonable estimate of the amount can be made. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation. The Hospital has not recognized any asset retirement obligations as of March 31, 2025.

1. Economic Environment

a. Nature of Business

The Hospital is engaged in the provision of various health care services within Northumberland County. The Hospital is a registered charity under the *Income Tax Act* (Canada) and accordingly is exempt from income taxes, provided certain requirements of the *Income Tax Act* (Canada) are met.

b. Economic Dependence

The Hospital is dependent on an on-going basis on the Ministry of Health and/or Ontario Health as the primary funding source for operating activities. This year, provincial funding was equivalent to 95% of the total operating revenue (2024 - 92%).

2. Accounts Receivable

	2025	2024
Accounts receivable:		
Ministry of Health	$ 2,738,084	$ 6,385,418
Foundation (Note 13)	2,748,583	249,741
Other receivables	2,584,788	2,888,736
	8,071,455	9,523,895
Less allowance for doubtful accounts	(235,955)	(77,581)
	$ 7,835,500	$ 9,446,314

3. Capital Assets

	March 31, 2025		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 1,413,026	$ 299,154	$ 1,113,872
Buildings and building service equipment	65,385,674	32,867,538	32,518,136
Equipment	47,431,565	37,876,038	9,555,527
Software licences and related costs	11,206,248	7,057,231	4,149,017
	$ 125,436,513	$ 78,099,961	$ 47,336,552
Capital work-in-progress	$ 2,555,379	$ -	$ 2,555,379
	$ 127,991,892	$ 78,099,961	$ 49,891,931

	March 31, 2024		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 1,309,149	$ 280,855	$ 1,028,294
Buildings and building service equipment	64,544,807	30,912,935	33,631,872
Equipment	44,448,501	36,089,143	8,359,358
Software licences and related costs	11,078,794	6,211,772	4,867,022
	$ 121,381,251	$ 73,494,705	$ 47,886,546
Capital work-in-progress	$ -	$ -	$ -
	$ 121,381,250	$ 73,494,706	$ 47,886,546

4. Interest

Bank Operating Line of Credit
The Hospital has an unsecured bank operating line of credit of $4,500,000 at March 31, 2025 (2024 - $4,500,000) at the Bank's prime lending rate, minus 0.75%. The line of credit is undrawn as at March 31, 2025 (2024 - $Nil). This arrangement is reviewed annually with the bank.

Bank interest expense incurred during the year on the operating line of credit was $75,193 (2024 - $28,852).

Provincial Cash Advance

The Hospital received a cash advance of $10,000,000 in December 2024 from the Ministry of Health (2024 - $1,367,919 from Ontario Health) intended exclusively for operating pressures. The advance bears no interest and was fully repaid by March 31, 2025, in accordance with the terms of the agreement with Ministry of Health.

Interest on Equipment Lease
The Hospital entered into a 66 month lease agreement for Automatic Drug Dispensing Unit for Pharmacy (Note 9) that was due September 2024. The imputed interest rate was 4.89% annually, and the interest recognized for the year ended March 31, 2025 amounted to $1,575 (2024 - $11,045).

5. Restricted Cash

In fiscal 2020, the Hospital opened a new bank account designated towards investment in Board approved capital projects. The balance as at March 31, 2025 was $2,936,900 (2024 - $3,643,192), which is included under "Cash" on the Statement of Financial Position

6. Accrued Employee Benefit Liability

The Hospital provides extended health care, dental and life insurance benefits to certain employees upon retirement. Costs for employee future benefits are accrued over the periods in which employees earn the benefits through service.

The date of the most recent actuarial valuation used to measure the accrued benefit obligation was March 31, 2024. The following actuarial assumptions were used in estimating the Hospital's post-retirement benefits expense and the accrued benefit liability:

Discount rate for calculation of net benefit costs	4.70%	per annum (2024 - 4.70%)
Discount rate for disclosure at end of period	4.70%	per annum (2024 - 4.70%)
Dental benefits cost escalation	5.00%	per annum (2024 - 5.00%)
Medical benefits cost escalation - extended health care	5.97%	per annum (2024 - 5.57%)

Total employee-future-benefits expense for the year is as follows:

	2025	2024

Information with respect of the Hospital's post-retirement and post-employment employee benefit liabilities is as follows:

	2025	2024
Accrued employee benefit liability, beginning of year	4,036,300	$ 4,237,000
Expense for the year	96,600	30,500
Employee benefits paid for the year	(280,400)	(231,200)
Accrued employee benefit liability, end of year	3,852,500	4,036,300
Less current portion	(123,600)	(183,800)
	$ 3,728,900	$ 3,852,500

Accrued employee benefit liabilities at year-end include the following components:

	2025	2024
Accrued employee benefit obligation	$ 2,343,500	$ 2,238,800
Unamortized actuarial gains	1,509,000	1,797,500
Accrued employee benefit liability	$ 3,852,500	$ 4,036,300

7. Deferred Capital Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets.

During the fiscal year the Hospital received Health Infrastructure Renewal Fund (HIRF) funding through the Ministry of Health totalling $10,000 (2024 - $10,000). The funding has been fully used for its intended purpose. Approval was granted to carry forward unspent funds in the amount of $Nil (2024 - $Nil).

The continuity of deferred capital contributions is as follows:

	2025	2024
Capital contributions received in year from:		
Northumberland Hills Hospital Foundation (Note 13)	$ 4,371,051	$ 1,645,745
Northumberland Hills Hospital Auxiliary	225,000	207,000
Ministry of Health	56,250	180,000
	4,652,301	2,032,745
Less amortization of deferred capital contributions (Note 8)	(4,346,254)	(4,401,510)
Increase (decrease) in year	306,048	(2,368,765)
Balance at beginning of year	40,761,578	43,130,343
Balance at end of year	$ 41,067,626	$ 40,761,578

8. Amortization

a. Amortization of Deferred Capital Contributions related to:	2025	2024
Major equipment and software licences	$ 2,786,864	$ 2,842,791
Land improvements, buildings and building service equipment, and interest for hospital construction	1,559,390	1,558,719
	$ 4,346,254	$ 4,401,510

b. Amortization of Capital Assets	2025	2024
Major equipment and software licences	$ 3,136,386	$ 3,057,599
Land improvements, buildings and building service equipment	1,972,903	1,840,296
	$ 5,109,289	$ 4,897,895

9. Long Term Portion of Equipment Contract

Automatic Drug Dispensing Unit:	2025	2024
Capital lease, unsecured, bearing imputed interest of 4.89%, repayable in blended monthly installments of $18,596 net of HST rebates	$ -	$ 110,003
Less - current portion	-	(110,003)
	$ -	$ -

Scheduled repayments are as follows: 2025 - $Nil (2024 - $110,003)

	2025	2024
Total current term portion of equipment contract	$ -	$ 110,003
	$ -	$ 110,003

10. Contingent Liabilities

a. Potential Claims

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect of 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 is of the opinion that such claims will not have a material effect on the Hospital's financial position.

b. Health Insurance Reciprocal of Canada ("HIROC")

The Hospital became a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”) on April 1, 2014. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2025.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2025.

c. Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management’s estimate of potential settlement amounts where these amounts are reasonably determinable.

The Hospital continues to review pay equity plans for its employee groups. At the financial statement date, the Hospital accrued an estimated pay equity liability for certain of it's employee groups. The Hospital will continually assess the appropriateness of its pay equity accrual and modify accordingly.

11. Commitments

The Hospital is committed to a minimum of annual lease payments relating to separately funded programs under various property and vehicle leases to the end of the lease term as follows:

2026	$ 286,747

12. Guarantees

In the normal course of business, the Hospital enters into agreements that may contain guarantees. The Hospital's significant outstanding guarantees include:

a. Indemnity is provided to all directors and/or officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Hospital. The maximum amount of any potential future obligation cannot be reasonably estimated.

b. In the normal course of business, the Hospital enters into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Hospital from making an estimate of the maximum exposure owing to the difficulties in assessing the amount of liability from unpredictable future events as well as from the unlimited coverage offered to counterparties. Historically, the Hospital has not made any significant payments nor are any currently anticipated under such or similar agreements. Therefore, no amount has been accrued with respect of these agreements.

13. Northumberland Hills Hospital Foundation

The Northumberland Hills Hospital Foundation (the Foundation), which raises funds for the Hospital, is a separate corporate entity and disburses funds at the discretion of its own Board of Directors. The accounts of the Foundation have not been included in these financial statements. The Foundation has reimbursed the Hospital for salaries, benefits and other expenses incurred by the Foundation in the amount of $511,329 (2024 - $521,037), which are recorded on a cost recovery basis. The Foundation has also provided contributions to the Hospital for equipment needs as outlined in Note 7. Accounts Receivable includes $2,785,816 from the Foundation as at March 31, 2025 (2024 - $294,084), comprised of Q4 Call on Cash of $2,748,583 (2024 - $249,741), and Foundation operating expenses for March 2025 $37,233 (2024 - $44,343).

14. Financial Risks and Concentration of Credit Risk

a. Credit Risk

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of revenue and expense. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of revenue and expenses. The balance of the allowance for doubtful accounts at March 31, 2025 was $235,955 (2024 - $77,581).

As at March 31, 2025 $867,704 (2024 - $592,543) of trade accounts receivable were past due, but not impaired.

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

b. Liquidity Risk

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

As at March 31, 2025, the Hospital continues to experience a net asset deficiency on the Statement of Financial Position, and has a working capital deficiency driven by post-pandemic operating pressures and inflation. The Hospital maintains sufficient financial arrangements to support ongoing operations including a positive cash balance and access to an operating line of credit.

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

c. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through its available credit facilities.

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

15. Net Changes in Non-cash Working Capital Components Relating to Operations:

	2025	2024
Decrease (increase) in current assets:		
Accounts Receivable	$ 1,610,814	$ (4,104,772)
Inventories	(140,681)	(106,838)
Prepaid Expenses	189,750	186,070
Increase (decrease) in current liabilities:		
Accounts Payable and Accrued Liabilities	(3,797,310)	4,529,356
Accrued Salaries and Benefits	770,407	124,971
Employee Benefit Liability	(280,400)	(289,697)
Net change in non-cash working capital	$ (1,647,421)	$ 339,089

16. Pension Costs

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to $4,863,962 (2024 - $4,366,102) and are included in the statement of revenue and expenses.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan’s December 31, 2024 Annual Report indicates the plan is fully funded at 111%.

17. Impact of Bill 124

On November 29th, 2022, the Ontario Superior Court declared Bill 124 as void and of no effect. Also known as the Protecting a Sustainable Public Sector for Future Generations Act, 2019, Bill 124 limited wage increases for workers in the Broader Public Sector to 1.00% for a 3-year period. As a part of the Broader Public Sector to which the bill applies, the Hospital’s employees were subject to the 1.00% cap on annual wage increases imposed by the legislation.

The Hospital’s collective agreements contain clauses that allow for the agreements to be reopened for negotiation on matters related to compensation should Bill 124 be appealed, amended, or declared unconstitutional by a court of competent jurisdiction. As of March 31, 2024, the Hospital has completed negotiation with all applicable employees for the wage adjustments related to the Bill 124 moderation period. Any amounts owing or paid to employees above the Hospital’s previously accrued amounts are included under ‘Salaries and wages’ and ‘Employee benefits’ on the Statement of Operations.

During the fiscal year, the MOH provided new Base funding to support eligible organizations with the ongoing costs related to retroactive wage settlements for the Bill 124 moderation period. Under these funding programs, the Hospital recognized $9,890,500 (2024 - $6,994,700) in revenue under "Base funding" on the Statement of Revenue and Expenses.

18. Subsequent event:

On April 1, 2025, the Hospital, along with six other Central East Hospitals, entered into a comprehensive service agreement with Enabling Healthcare Across Networks of Central East Ontario (Enhance Ontario). Enhance Ontario is a separately incorporated, not-for-profit recently created to own and operate the Clinical Information System (CIS) currently shared by the seven hospitals. Subsequent to year end, the shared CIS assets of the Hospital, with a net book value of approximately $3,500,000, were transferred to Enhance Ontario.