Stratford General Hospital

Financial statements
March 31, 2024

Independent auditor's report

To the Board of Directors of
Stratford General Hospital

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
June 10, 2024

Stratford General Hospital

Incorporated without share capital under the laws of Ontario

Statement of financial position

As at March 31

	2024	2023
	$	$
Assets		
Current		
Cash	**7,910,522**	18,679,787
Accounts receivable *[notes 3 and 15]*	**8,858,321**	9,501,561
Inventories *[note 5]*	**1,808,380**	1,851,061
Prepaid expenses	**2,322,819**	2,325,505
Total current assets	**20,900,042**	32,357,914
Long-term investments *[note 6]*	**456,633**	461,716
Property and equipment, net *[note 7]*	**86,391,260**	76,109,939
	107,747,935	108,929,569
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[note 17]*	**18,861,685**	21,176,735
Due to other Alliance entities, net *[note 4]*	**1,049,861**	4,953,050
Accrued salaries and wages	**11,904,038**	11,620,225
Current portion of post-employment benefits *[note 9[b]]*	**333,775**	281,320
Deferred contributions, expenses of future periods *[note 11]*	**1,057,963**	1,403,988
Demand loans and current portion of term debt *[note 8]*	**10,226,480**	5,985,900
Total current liabilities	**43,433,802**	45,421,218
Term debt *[note 8]*	**856,418**	1,000,418
Post-employment benefits *[note 9[b]]*	**6,018,870**	6,049,355
Deferred contributions, capital *[note 10]*	**51,597,982**	47,270,865
Asset retirement obligation [*note 12]*	**973,000**	1,707,547
Total liabilities	**102,880,072**	101,449,403
Commitments and contingencies *[note 14]*		
Net assets		
Endowments *[note 13]*	**114,719**	119,719
Unrestricted	**4,753,144**	7,360,447
Total net assets	**4,867,863**	7,480,166
	107,747,935	108,929,569

See accompanying notes

On behalf of the Board:

Board Chair Treasurer

Stratford General Hospital

Statement of changes in net assets

Year ended March 31

	2024			2023
	Endowments	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 13]			
Net assets, beginning of year	**119,719**	**7,360,447**	**7,480,166**	11,585,490
Deficiency of revenue over expenses for the year	—	**(2,607,303)**	**(2,607,303)**	(4,105,324)
Transfer of Endowment Fund to Stratford General Hospital Foundation	**(5,000)**	—	**(5,000)**	—
Net assets, end of year	**114,719**	**4,753,144**	**4,867,863**	7,480,166

See accompanying notes

Stratford General Hospital

Statement of operations

Year ended March 31

	2024	2023
	$	$
Revenue		
Ontario Health funding *[note 4]*	**122,710,639**	106,577,500
In-patient services	**459,393**	387,841
Out-patient services	**12,112,414**	11,081,920
Preferred accommodation	**461,765**	409,525
Chronic co-payment	**151,109**	91,445
Other revenue *[note 6]*	**12,282,492**	11,708,872
Unrestricted donations and bequests	**96,714**	73,363
Amortization of deferred contributions, capital – equipment	**1,478,549**	1,626,060
	149,753,075	131,956,526
Expenses		
Salaries and wages	**71,989,485**	63,117,242
Medical staff remuneration	**16,196,167**	15,535,842
Employee benefits	**19,828,914**	17,609,371
Supplies and other expenses	**23,570,840**	20,619,227
Medical and surgical supplies	**6,264,404**	6,366,144
Drugs	**8,566,210**	7,721,752
Amortization of equipment	**3,093,508**	2,907,163
Interest – non-building *[note 8]*	**210,805**	101,946
	149,720,333	133,978,687
Excess (deficiency) of revenue over expenses before the following	**32,742**	(2,022,161)
Amortization of deferred contributions, capital – buildings and land improvements	**2,880,997**	2,628,227
Amortization of buildings and land improvements	**(4,710,295)**	(4,582,819)
Interest expense *[note 8]*	**(285,636)**	(78,326)
Accretion expense	**(25,804)**	(50,245)
Loss on disposal of building and land improvements	**(1,170,703)**	—
Gain on settlement of asset retirement obligation	**671,396**	—
	(2,640,045)	(2,083,163)
Deficiency of revenue over expenses for the year	**(2,607,303)**	(4,105,324)

See accompanying notes

Stratford General Hospital

Statement of cash flows

Year ended March 31

	2024	2023
	$	$
Operating activities		
Deficiency of revenue over expenses for the year	**(2,607,303)**	(4,105,324)
Add (deduct) items not involving cash		
Amortization of equipment	**3,093,508**	2,907,163
Amortization of buildings and land improvements	**4,710,295**	4,582,819
Loss (gain) on disposal of equipment	**(182)**	25,809
Gain on settlement of asset retirement obligation	**(671,396)**	—
Amortization of deferred contributions, capital – equipment	**(1,478,549)**	(1,626,060)
Amortization of deferred contributions, capital – buildings and land improvements	**(2,880,997)**	(2,628,227)
Accretion of asset retirement obligation	**25,804**	50,245
Post-employment benefits	**21,970**	50,635
Change in carrying value of asset retirement obligation	**129,090**	—
	342,240	(742,940)
Net change in non-cash working capital balances related to operations *[note 16]*	**(5,591,844)**	3,532,953
Cash provided by (used in) operating activities	**(5,249,604)**	2,790,013
Capital activities		
Purchase of property and equipment	**(18,086,632)**	(9,651,978)
Payments made against asset retirement obligation	**(218,045)**	—
Proceeds on disposal of property and equipment	**1,690**	—
Cash used in capital activities	**(18,302,987)**	(9,651,978)
Financing activities		
Repayment of demand loans	**(3,991,700)**	(1,210,400)
Proceeds of demand loans and term debt	**8,232,280**	2,748,650
Repayment of term debt	**(144,000)**	(144,000)
Contributions received related to capital	**8,686,663**	3,496,498
Proceeds from disposal of investments	**5,083**	—
Transfer of endowment funds	**(5,000)**	—
Cash provided by financing activities	**12,783,326**	4,890,748
Net decrease in cash during the year	**(10,769,265)**	(1,971,217)
Cash, beginning of year	**18,679,787**	20,651,004
Cash, end of year	**7,910,522**	18,679,787

See accompanying notes

Notes to financial statements

March 31, 2024

1. Purpose of the organization

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

The Hospital, along with Clinton Public Hospital, St. Marys Memorial Hospital and Seaforth Community Hospital, is a member of the Huron Perth Healthcare Alliance [the “Alliance”] and the individual hospitals’ financial results are influenced by this membership *[note 4]*.

The Hospital operates under a Hospital Service Accountability Agreement [“H-SAA”] and a Multi-Sector Service Accountability Agreement [“M-SAA”] with Ontario Health. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Hospital by Ontario Health. The H-SAA and M-SAA set out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance.

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

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

2. Summary of significant accounting policies

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

[a] Basis of presentation and use of estimates

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

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

[b] Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets. Contributions restricted for the purchase of property and equipment are initially deferred and amortized to revenue on the same basis as the amortization rate for the related property and equipment.

Revenue from patient services, non-patient services and preferred accommodation is recognized when the services have been provided or when the goods have been sold. Working capital funding is recognized as revenue during the period in which the funding notice is provided by Ontario Health.

Investment income consists of interest earned on the Hospital’s investments. Investment income on unspent deferred capital contributions, if restricted for future use, is deferred as a component of such contributions. Interest income earned on endowment funds is added to deferred contributions, capital during the year. All other investment income is recognized as revenue when earned in the statement of operations.

[c] Inventories

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

[d] Investments

Investments are recorded initially at fair value and subsequently at amortized cost, and where there is a reduction in value that is considered other than temporary, the investment is written down. A loss in value of investment that is other than temporary decline occurs when the actual value of the investment to the Alliance becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of an investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value. Investments in joint ventures are accounted for using the modified equity method and as such are stated at cost plus earnings since acquisition. Transactions are recorded on a trade-date basis.

[e] Property and equipment

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

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

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

No amortization is recorded on construction in progress until the related assets are put into productive use.

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

[f] Asset retirement obligations

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

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

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

Notes to financial statements

[g] Contributed materials and services

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

[h] Post-employment benefits

The Hospital accrues its obligations for post-employment benefits and the related costs, net of plan assets measured at fair value. The cost of post-employment benefits earned by employees is actuarially determined using the projected accrued benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Hospital's cost of borrowing rate. Differences arising from past service costs are expensed in the period of plan amendment. Differences arising from changes in assumptions and actuarial gains and losses are recognized in income on a straight-line basis over the expected average remaining service life of active employees, which is equal to 17.8 years.

[i] Multi-employer defined benefit plan

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

[j] Financial instruments

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

[i] Accounts receivable are carried at amortized cost, net of any provision for impairment.
[ii] Portfolio investments are carried at amortized cost, net of any provision for impairment.
[iii] Accounts payable and accrued liabilities, accrued salaries and wages, and demand loans are carried at cost.
[iv] Term debt is carried at amortized cost.

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

[k] Remeasurement gains or losses

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

[l] Adoption of new accounting standard

Revenue recognition

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

3. Accounts receivable

Accounts receivable consist of the following:

	2024	2023
	$	$
Ontario Health	**4,212,688**	3,969,308
Insurers and patients	**1,646,043**	2,028,705
Other	**3,263,090**	3,703,048
	9,121,821	9,701,061
Less allowance for doubtful accounts	**263,500**	199,500
	8,858,321	9,501,561

4. Huron Perth Healthcare Alliance

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

	2024	2023
	$	$
Stratford General Hospital provincial funding	**128,195,368**	111,771,515
Adjustment for the Hospital's share of the Alliance operating surplus/deficit	**(5,484,729)**	(5,194,015)
Provincial funding adjusted revenue	**122,710,639**	106,577,500

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

Notes to financial statements

March 31, 2024

Amounts due from other Alliance hospitals per the Alliance agreement are non-interest bearing with no set repayment terms and are as follows:

	2024	2023
	$	$
Clinton Public Hospital	**976,807**	—

Amounts owing to other Alliance hospitals per the Alliance agreement are non-interest bearing with no set repayment terms and are as follows:

	2024	2023
	$	$
Seaforth Community Hospital	**1,679,869**	2,263,102
St. Marys Memorial Hospital	**346,799**	1,607,000
Clinton Public Hospital	**—**	1,082,948
	2,026,668	4,953,050

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

5. Inventories

During the year, the Hospital expensed $12,552,846 [2023 – $11,638,278] of inventories. There were no write-downs of inventories to net realizable value or any write-down reversals during the year or prior year.

6. Long-term investments

Long-term investments consist of the following:

	2024	2023
	$	$
Portfolio investment - Guaranteed investment certificate – restricted	**114,719**	119,719
Portfolio investment - Guaranteed investment certificate – unrestricted	**1,400**	1,483
Joint venture investment - Horizon ProResp Inc.	**340,514**	340,514
	456,633	461,716

Horizon ProResp Inc.

Effective January 1, 1996, Horizon ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home care services to patients in Huron and Perth counties. The Hospital received 50 common shares, representing 50% of the voting equity of the joint venture, in exchange for equipment, inventories and supplies relating to the home oxygen program that were transferred to the joint venture. The investment is being accounted for according to the modified equity method and, as such, the investment in Horizon ProResp Inc. is stated at cost plus earnings since acquisition.

	2024	2023
	$	$
Common share investment – 50% of common share capital	**55,657**	55,657
Share of income since incorporation	**284,857**	284,857
	340,514	340,514

Management fees of $200,000 [2023 – $215,000] from Horizon ProResp Inc. have been recorded as other revenue. Transactions are in the normal course of business and recorded at the exchange amount, which is the amount agreed upon by both parties.

7. Property and equipment

Property and equipment consist of the following:

	2024		
	Cost	Accumulated amortization	Net book value
	$	$	$
Tangible			
Land	**12,419**	**—**	**12,419**
Other non-amortized assets	**147,010**	**—**	**147,010**
Land improvements	**1,894,090**	**1,241,319**	**652,771**
Buildings	**127,727,464**	**77,346,397**	**50,381,067**
Furnishings and equipment	**45,328,428**	**34,449,255**	**10,879,173**
Computer hardware	**5,639,417**	**4,804,968**	**834,449**
Construction in progress	**22,995,703**	**—**	**22,995,703**
	203,744,531	**117,841,939**	**85,902,592**
Intangible			
Computer software	**9,214,398**	**8,725,730**	**488,668**
	212,958,929	**126,567,669**	**86,391,260**

	2023		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Tangible			
Land	12,419	—	12,419
Other non-amortized assets	147,010	—	147,010
Land improvements	1,450,057	1,203,362	246,695
Buildings	127,936,755	74,162,487	53,774,268
Furnishings and equipment	44,201,649	32,707,804	11,493,845
Computer hardware	5,200,268	4,506,183	694,085
Construction in progress	9,181,562	—	9,181,562
	188,129,720	112,579,836	75,549,884
Intangible			
Computer software	8,947,525	8,387,470	560,055
	197,077,245	120,967,306	76,109,939

8. Demand loans and term debt

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

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

[b] Revolving demand facility [the “Capital Facility”] of $25,000,000 [2023 – $25,000,000] with RBC to finance the acquisition of capital assets including property and equipment. The Capital Facility bears interest at CORRA daily rate plus 0.800% per annum. As at March 31, 2024, $15,835,000 [2023 – $10,060,000] has been drawn on the Capital Facility by the Alliance, of which $10,082,480 [2023 – $5,841,900] is attributable to the Hospital.

[c] Term facility [the “SSRP Facility”] with RBC that was used to finance the completion of the Stratford Site Redevelopment Project. The SSRP Facility bears interest at the bank’s prime rate [7.20%] minus 0.65%. As at March 31, 2024, $1,000,418 [2023 – $1,144,418] is outstanding from the Alliance on the SSRP Facility. Interest payments are made monthly on the 26th day of each month, and annual principal payments are due March 31 of the respective year. The commitment period of the SSRP Facility will expire on March 31, 2029.

[d] A committed instalment loan with CIBC that is being used to finance the Energy Co-Generation Project at the Stratford site [the “Co-Gen Facility”]. The Co-Gen Facility bears interest at the bank’s prime rate [7.20%] minus 0.75% and is due on demand. As at March 31, 2024, $689,405 [2023 – $880,905] is outstanding from the Alliance, of which nil [2023 – nil] is attributable to the Hospital. The commitment period of the Co-Gen Facility will expire on April 30, 2025.

[e] Revolving lease line of credit [the "Lease Facility"] of $9,000,000 with RBC, by way of lease agreements with RBC. The purpose of the Lease Facility is to fund the acquisition of capital assets, including equipment and software. The Lease Facility bears interest at the applicable rate contained in the respective lease agreement entered. As at March 31, 2024, nil [2023 – nil] has been drawn on the Lease Facility by the Alliance.

As at March 31, 2024, the total outstanding borrowings of the Alliance amount to $17,524,823 [2023 – $12,085,323]. Of this amount, the Hospital has the following borrowings outstanding:

	2024	2023
	$	$
Demand loans	**10,082,480**	5,841,900
Current portion of term debt	**144,000**	144,000
Total demand loans and current portion of term debt	**10,226,480**	5,985,900
Term debt	**856,418**	1,000,418

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

	$
2025	144,000
2026	144,000
2027	144,000
2028	144,000
2029	424,418
	1,000,418

9. Post-employment benefits

[a] Pension plan

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

Employer contributions to the HOOPP during the year by the Hospital amounted to $5,761,843 [2023 – $5,222,623]. The most recent actuarial valuation for financial reporting purposes completed by the HOOPP as at December 31, 2023 disclosed net assets available for benefits of $112,635 million [2022 – $103,674 million] with pension obligations of $102,454 million [2022 – $92,721 million], resulting in a surplus of $10,181 million [2022 – $10,953 million]. The cost of pension benefits is determined by the HOOPP at $1.26 per every dollar of employee contributions. As at December 31, 2023, the HOOPP was 115% funded [2022 – 117%].

[b] Post-employment benefits

Retirees and surviving spouses of retirees are eligible for life insurance, drug, other medical, dental and hospital benefits covered under the non-pension post-employment benefit plan [the “Plan”] after they turn 55. The Plan is funded on a pay-as-you-go basis, and the Hospital funds on a cash basis as benefits are paid. During the year, benefits paid totaled $254,274 [2023 – $335,089].

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

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

	2024 $	2023 $
Accrued benefit obligation		
Balance, beginning of year	**4,348,500**	4,775,160
Current service cost	**273,000**	310,635
Plan amendment in year	**125,060**	—
Interest cost	**204,035**	180,635
Benefits paid	**(273,390)**	(328,120)
Actuarial gain	**(51,415)**	(589,810)
Balance, end of year	**4,625,790**	4,348,500
Unamortized net actuarial gain	**1,726,855**	1,982,175
Post-employment benefits	**6,352,645**	6,330,675
Less current portion	**333,775**	281,320
	6,018,870	6,049,355

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

The Hospital’s benefit plan expense is as follows:

	2024 $	2023 $
Current service cost	**273,000**	310,635
Interest cost	**204,035**	180,635
Amortization of net actuarial gain	**(181,675)**	(112,515)
Post-employment benefits expense	**295,360**	378,755

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

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

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

10. Deferred contributions, capital

Deferred contributions related to property and equipment are as follows:

	2024	2023
	$	$
Balance, beginning of year	**47,270,865**	48,028,654
Additional contributions received		
Ontario Health	**3,023,786**	2,499,316
Foundation *[note 15]*	**5,643,972**	1,022,369
Other	**18,905**	—
Amounts amortized to revenue	**(4,359,546)**	(4,254,287)
Amounts reduced due to disposal of equipment	**—**	(25,187)
Balance, end of year	**51,597,982**	47,270,865

There was $3,842 in unspent contributions included in the balance of unamortized capital contributions related to property and equipment [2023 – $1,008,167], related to endowment fund interest.

11. Deferred contributions, expenses of future periods

Deferred contributions, expenses of future periods represent unspent externally restricted contributions, grants and donations. Changes in the deferred contributions, expenses of future periods balance are as follows:

	2024	2023
	$	$
Balance, beginning of year	**1,403,988**	1,150,903
Contributions, grants and donations	**1,383,966**	1,784,710
Amounts earned	**(1,729,991)**	(1,531,625)
Balance, end of year	**1,057,963**	1,403,988

The deferred contributions will be spent as follows:

	2024	2023
	$	$
Mental health programs	**17,811**	17,324
Trillium Gift of Life	**39,361**	13,585
London Health Sciences Centre for Stroke Rehab Equipment	**475**	12,028
Physicians	**450**	450
Provincial Supply of Personal Protection Equipment	**7,581**	7,581
Ontario Health Teams	**825,139**	633,922
Cambrian College Med Lab Training	**8,621**	8,621
LHIN Transformational Funding	**—**	148,332
Crisis Mental Health	**158,525**	562,145
	1,057,963	1,403,988

12. Asset retirement obligation

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

The estimated total undiscounted expenditures are $1,882,616 [2023 – $2,353,996] and they are expected to be incurred and settled at the end of the buildings' useful life. The liability is calculated using discount rates of 4.42%–4.53% [2023 – 2.92%-3.40%]. Changes to the liability during the year are reflected in the table below. The Hospital does not anticipate that it will be able to recover any asset retirement costs from a third party. In addition, it has no legal requirement to fund this obligation and, as such, has not set aside any assets designated for payment of this liability.

The changes in the asset retirement obligation are as follows:

	2024	2023
	$	$
Asset retirement obligation, beginning of year	**1,707,547**	1,657,302
Accretion expense	**25,804**	50,245
Change in estimate	**195,019**	—
Change due to abatement during the year	**(283,974)**	—
Realized gain on settlement of asset retirement obligation	**(671,396)**	—
Asset retirement obligation, end of year	**973,000**	1,707,547

Notes to financial statements

March 31, 2024

13. Endowments

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact in perpetuity. Investment income on the assets restricted for endowment purposes is externally restricted for capital purposes. During the year, one of the endowment funds was transferred to the Stratford General Hospital Foundation, resulting in a decrease to the Hospital's net asset position in the amount of $5,000. The total investment income earned on endowments during the year was $1,811 [2023 – $635] and was included in deferred contributions, capital *[note 10]* during the year.

14. Commitments and contingencies

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

	$
2025	8,612,836
2026	5,790,897
2027	2,618,070
2028	1,573,768
2029	1,096,349
Thereafter	2,098,405
	21,790,325

The Hospital is involved from time to time as plaintiff or defendant in various legal actions that arise in the normal course of operations. Any contingent gains arising on such actions are included in income when they are assured. Provisions for contingent losses are provided at such time as management concludes that a loss is likely and can be estimated. As at March 31, 2024, management believes adequate provision for losses has been made in the accounts.

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

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

The Hospital has a joint and several obligation for the borrowings of the Alliance under various loan facilities with CIBC and RBC. As at March 31, 2024, the total outstanding borrowings of the Alliance amount to $17,524,823 [2023 – $12,085,323]. Of this amount, the Hospital has drawn $11,082,898 [2023 – $6,986,318] *[note 8].*

15. Related party transactions

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

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

Donations of $5,643,972 [2023 – $1,022,369] were received from the Foundation for equipment purchases and capital projects. These amounts have been included in deferred contributions, capital *[note 10]*.

During the year, the Hospital provided administrative services including payroll processing at no cost to the Foundation.

As at March 31, 2024, an amount of $38,094 [2023 – $48,294] is due from the Foundation. The amount is non-interest bearing and due on demand.

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

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

16. Statement of cash flows

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

	2024	2023
	$	$
Decrease (increase) in current assets		
Accounts receivable	**643,240**	(163,117)
Grants receivable	**—**	273,804
Inventories	**42,681**	112,556
Prepaid expenses	**2,686**	(204,970)
	688,607	18,273
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(2,315,050)**	(1,992,857)
Due to other Alliance entities	**(3,903,189)**	3,228,855
Accrued salaries and wages	**283,813**	2,025,597
Deferred contributions, expenses of future periods	**(346,025)**	253,085
	(6,280,451)	3,514,680
	(5,591,844)	3,532,953

17. Midwifery program

The Hospital acts as a transfer payment agency for a midwifery program funded through Ontario Health Community Health and Prevention Branch – Ontario Midwifery Program [“OMP”]. The gross revenue and expenses of the OMP of $7,200,000 [2023 – $7,112,227] are included in the statement of operations. The excess of OMP funding over OMP allowed expenses for 2024 is $134,516 [2023 – $552,378], which is due to the Ontario Health OMP and is included in accounts payable and accrued liabilities as at March 31, 2024.

18. Financial instruments and risk management

Financial instrument classification

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1 – Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The guaranteed investment certificate held by the Hospital is classified as Level 2 according to the fair value hierarchy described above. There were no material transfers between Levels 1 and 2 for the year ended March 31, 2024.

Risk and uncertainties

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

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 changes in market conditions, whether those changes are caused by factors specific to the individual instrument or factors affecting all securities traded in the market. The Hospital's exposure to market risk is limited as a result of the investment portfolio comprising only long-term, fixed-income securities.

Interest rate risk

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

Credit risk

Credit risk arises from the possibility that the entities from which the Hospital receives funding may experience difficulty and be unable to fulfill their obligations. The majority of the Hospital's accounts receivable are owed by government agencies with good credit standing. As at year-end, patient and other accounts receivable total $4,909,133 [2023 – $5,731,753]. As a result, the requirement for credit-risk-related reserves for accounts receivable is minimal. The Hospital has no significant concentration of credit risk with any one individual customer. There are no significant past due or impaired balances as at March 31, 2024.

Liquidity risk

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

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