Financial Statements of

CORNWALL COMMUNITY HOSPITAL

March 31, 2025

CORNWALL COMMUNITY HOSPITAL

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Independent Auditor's Report

To the members of the
Cornwall Community Hospital

Opinion

We have audited the financial statements of the Cornwall Community Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2025, and the statements of operations, changes in net assets (liabilities), cash flows and remeasurement gains and losses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2025, and the results of its operations, changes in its net assets (liabilities) and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 PSAS, 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 GAAS 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 GAAS, 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.

MNP LLP

Hawkesbury ON
May 20, 2025

Chartered Professional Accountants
Licensed Public Accountants

CORNWALL COMMUNITY HOSPITAL

Statement of Financial Position

March 31, 2025, with comparative information for 2024

	2025 $	2024 $
Assets		
Current assets:		
Cash	**31,301,259**	24,121,156
Accounts receivable (note 5)	**7,848,689**	8,153,950
Inventories	**1,301,926**	1,562,423
Prepaid expenses	**1,067,342**	1,393,527
	41,519,216	35,231,056
Restricted cash (note 4)	**864,990**	-
Capital assets (note 6)	**94,574,856**	99,593,925
Interest rate swaps (note 9)	**212,263**	344,702
	137,171,325	135,169,683
Liabilities, deferred contributions and net assets (liabilities)		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	**37,697,128**	31,864,994
Deferred revenue	**2,384,840**	2,318,574
Employee future benefits (note 8)	**478,303**	427,825
Current portion of long-term debt (note 9)	**566,000**	544,000
	41,126,271	35,155,393
Employee future benefits (note 8)	**6,055,437**	6,138,688
Long-term debt (note 9)	**4,145,000**	4,711,000
Asset retirement obligation liability (note 19)	**4,006,242**	3,815,839
Deferred capital contributions (note 10)	**82,534,689**	86,764,449
	137,867,639	136,585,369
Net assets (liabilities):		
Invested in capital assets (note 11)	**7,329,167**	7,574,476
Unrestricted	**(8,237,744)**	(9,334,864)
	(908,577)	(1,760,388)
Accumulated remeasurement gains	**212,263**	344,702
	(696,314)	(1,415,686)
	137,171,325	135,169,683

Contingencies and commitments (note 12)

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

On behalf of the Board

_____________________, Director _____________________, Director

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CORNWALL COMMUNITY HOSPITAL

Statement of Operations

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

	2025	2024
	$	$
Revenue:		
Patient care:		
Ministry of Health	**143,258,110**	136,866,146
Other	**19,638,508**	16,989,860
Recovery:		
Preferred accommodations	**84,440**	63,575
Other	**5,883,019**	6,844,983
Investment income	**1,090,833**	844,625
Amortization of deferred contributions related to equipment	**1,755,850**	1,990,112
Other programs:		
Ministry of Health	**11,709,158**	10,888,756
Ministry of Community and Social Services	**3,454,608**	3,508,135
	186,874,526	177,996,192
Expenses:		
Salaries and wages	**79,438,278**	75,989,374
Employee benefits	**24,271,106**	22,847,798
Medical staff remuneration	**16,516,575**	14,104,535
Medical and surgical supplies	**8,917,103**	8,813,147
Drugs and medical gases	**9,907,301**	7,287,211
Other supplies and expenses	**26,184,150**	27,858,419
Buildings and grounds	**898,799**	1,172,614
Amortization of capital assets - equipment	**3,387,157**	4,065,622
Interest on long-term debt		-
Other programs:		
Ministry of Health	**12,168,385**	11,156,470
Ministry of Community and Social Services	**3,454,608**	3,508,135
	185,143,462	176,803,325
Excess of revenue over expenses before undernoted items	**1,731,064**	1,192,867
Interest on long-term debt	**(151,362)**	(186,384)
Amortization of deferred contributions related to building	**4,746,445**	5,224,039
Accretion expense (ARO)	**(198,063)**	(120,787)
Amortization of capital assets - building	**(5,276,273)**	(5,522,814)
	(879,253)	(605,946)
Excess of revenue over expenses	**851,811**	586,921

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

CORNWALL COMMUNITY HOSPITAL

Statement of Changes in Net Assets (Liabilities)

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

	Invested in capital assets	**Unrestricted**	**2025 Total**	2024 Total
	$	**$**	**$**	$
Balance, beginning of year	**7,574,476**	**(9,334,864)**	**(1,760,388)**	(2,347,309)
Excess of revenue over expenses (note 11 (b))	**(2,161,135)**	**3,012,946**	**851,811**	586,921
Net change in investment in capital assets (note 11 (b))	**1,915,826**	**(1,915,826)**	**-**	-
Balance, end of year	**7,329,167**	**(8,237,744)**	**(908,577)**	(1,760,388)

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

CORNWALL COMMUNITY HOSPITAL

Statement of Cash Flows

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

	2025 $	2024 $
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	**851,811**	586,921
Items not involving cash:		
Amortization of capital assets	**8,663,430**	9,588,436
Accretion expense	**198,063**	120,787
Amortization of deferred contributions related to capital assets	**(6,502,295)**	(7,214,151)
Decrease in employee future benefits	**(32,773)**	(57,033)
Net change in non-cash working capital components (note 14)	**6,790,343**	(701,502)
	9,968,579	2,323,458
Capital activities:		
Purchase of capital assets	**(3,644,361)**	(2,941,949)
Remeasurement of ARO	**(7,660)**	421,663
Increase in deferred contributions related to capital assets	**2,272,535**	1,627,577
	(1,379,486)	(892,709)
Financing activities:		
Repayment of long-term debt	**(544,000)**	(521,000)
Increase in cash	**8,045,093**	909,749
Cash, beginning of year	**24,121,156**	23,211,407
Cash, end of year	**32,166,249**	24,121,156
Cash is comprised of the following:		
Cash	**31,301,259**	24,121,156
Restricted cash (capital)	**864,990**	-
	32,166,249	24,121,156

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

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CORNWALL COMMUNITY HOSPITAL

Statement of Remeasurement Gains and Losses

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

	2025	2024
	$	$
Accumulated remeasurement gains, beginning of year	**344,702**	262,982
Unrealized gain attributable to:		
Interest rate swaps	**(132,439)**	81,720
Accumulated remeasurement gains, end of year	**212,263**	344,702

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

1. Description of the business

Cornwall Community Hospital (the "Hospital") is incorporated under the Ontario Corporations Act. The Hospital is principally involved in providing health care services to Cornwall and area. The Hospital is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant accounting policies

(a) Revenue recognition:

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

Under the *Health Insurance Act* and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of 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.

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, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Health Insurance Plan (OHIP), preferred accommodations, and other revenue is recognized when the goods are sold or the service is provided.

Endowment contributions are recognized as direct increases in endowment net assets.

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to assist the Hospital in carrying out its service activities. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Inventories:

Inventories are valued at the lower of average cost and replacement cost.

2. Significant accounting policies (continued)

(d) Capital assets:

Purchased capital assets, other than minor equipment, are recorded at cost. Assets acquired under capital lease are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis using the following annual rates per Ministry of Health guidelines:

Land improvements	5% to 12.5%
Buildings	2% to 5%
Building service equipment	4% to 10%
Furniture and equipment	5% to 33.33%
Information system software and equipment	20% to 33.33%

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use.

The cost of renovations to the Hospital buildings which significantly increase its useful life and capacity are included as part of the cost of the related capital assets. Renovation costs to adapt the Hospital buildings to changed operating conditions or to maintain normal operating efficiency are expensed as incurred.

Equipment leased on terms which transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as "capital leases" and are therefore accounted for as though an asset has been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases.

(e) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are 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.

2. Significant accounting policies (continued)

(e) Asset retirement obligation (continued):

A liability for the removal of asbestos in Hospital buildings has been recognized based on estimated future expenses on renovation/demolition of the buildings. The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the capital assets is being amortized in accordance with the depreciation accounting policies outlined in note 1 (d). 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.

(f) Employee future benefits:

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2024, disclosed actuarial assets of $123,017 million (2023 - $112,635 million) with accrued pension liabilities of $112,579 million (2023 - $102,454 million), resulting in a surplus of $10,438 million (2023 - $10,181 million). This filing 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.

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans was as of March 31, 2024, and the next required valuation will be as of March 31, 2027.

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 average remaining service period of the active employees covered by the other retirement benefits plan is 9.98 years (2024 - 10.2 years).

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

2. Significant accounting policies (continued)

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are recorded at fair value. All other has elected to carry the instruments at fair value. Management has not elected to subsequently record financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Long-term debt is recorded at amortized cost. Interest rate swaps are recorded at fair value.

The Public Sector Accounting Standards require an organization to clarify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 **–** Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 **–** Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 **–** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the period. Amounts subject to estimates include employee future benefit obligations, asset retirement obligations, and the carrying value of capital assets. Actual results could differ from those estimates.

3. Short-term loan

The Hospital has an available non-revolving term facility of $6,000,000 with its lenders, of which $Nil was drawn against as at March 31, 2025 (2024 - $Nil). This line of credit is unsecured and bears interest at the lender's prime rate.

The Hospital also maintains an ongoing $2,000,000 revolving lease line of credit, whose main purpose is the financing of major equipment, of which $Nil (2024 - $Nil) was drawn against at year end.

4. Restricted cash

Restricted cash is comprised of the following items:

	2025 **$**	2024 $
Cash related to capital	**864,990**	-

5. Accounts receivable

Accounts receivable are comprised of the following items:

	2025 **$**	2024 $
Ministry of Health (Ontario Health)	**2,061,656**	1,502,421
Ontario Health Insurance Plan (OHIP)	**1,489,810**	1,876,679
Other	**4,880,401**	5,304,446
	8,431,867	8,683,546
Less allowance for doubtful accounts receivable	**583,178**	529,596
	7,848,689	8,153,950

6. Capital assets

Capital assets are comprised of the following items:

	Cost $	Accumulated amortization $	2025 Net book value $	2024 Net book value $
Land	**2,586,644**	**-**	**2,586,644**	2,586,644
Land improvements	**849,832**	**639,074**	**210,758**	235,312
Buildings	**107,500,812**	**45,720,527**	**61,780,285**	64,314,883
Building service equipment	**46,893,934**	**26,680,561**	**20,213,373**	21,440,842
Furniture and equipment	**46,667,826**	**44,850,529**	**1,817,297**	3,375,587
Information system software and equipment	**26,563,835**	**18,597,336**	**7,966,499**	7,640,657
	231,062,883	**136,488,027**	**94,574,856**	99,593,925

Cost and accumulated amortization of capital assets as at March 31, 2024, amounted to $227,925,031 and $128,331,106, respectively.

7. Accounts payable and accrued liabilities

Accounts payable are comprised of the following items:

	2025 $	2024 $
Salaries and wages	**11,241,565**	9,380,555
Vacation and banked time	**2,200,528**	2,396,844
Pay equity liability	**288,628**	288,628
Accounts payable and accrued liabilities	**23,966,407**	19,798,967
	37,697,128	31,864,994

8. Employee future benefits

The Hospital provides extended health care, dental and life insurance to certain employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of employee future benefits was completed as at March 31, 2021. The next valuation of the plan is effective March 31, 2025.

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

	2025	2024
Discount rate	3.89%	3.95%
Salary increases	2.50%	2.50%
Inflation	2.00%	2.00%
Dental benefits escalation	2.50%	2.50%
Health benefits escalation	4.00%	4.00%

The continuity of the Hospital's accrued benefit obligation is as follows:

	2025	2024
	$	$
Accrued benefit obligation, opening balance	**5,979,047**	5,988,913
Current service costs	**299,038**	254,150
Interest on accrued benefit obligation	**231,087**	236,946
Benefits paid	**(507,396)**	(484,858)
Actuarial (gain) loss	**707,548**	(16,104)
Accrued benefit obligation, closing balance	**6,709,324**	5,979,047

Reconciliation of the accrued benefit obligation to the accrued benefit liability is as follows:

	2025	2024
	$	$
Accrued benefit obligation	**6,709,324**	5,979,047
Unamortized actuarial gain	**(230,778)**	528,593
Accrued benefit liability	**6,478,546**	6,507,640
Less: current portion of benefit liability	**478,303**	427,825
Long-term portion of employee future benefits	**6,000,243**	6,079,815
Add: EORLA vested employees	**55,194**	58,873
	6,055,437	6,138,688

9. Long-term debt

	2025	2024
	$	$
Fixed rate term loan bearing interest at 5.0%, payable in blended monthly payments between $31,000 and $38,000, due February 28, 2028	**1,226,000**	1,608,000
Fixed rate term loan bearing interest at 2.66%, payable in blended monthly payments between $13,000 and $22,000, due December 18, 2041	**3,485,000**	3,647,000
	4,711,000	5,255,000
Less current portion	**566,000**	544,000
	4,145,000	4,711,000

The Hospital has entered into interest rate swap agreements to manage the volatility of interest rates. The maturity date of the interest rate swaps are the same as the maturity dates of the associated loans.

The fair value of the interest rate swaps as at March 31, 2025, is in a net favourable position of $212,263, which is recorded in the Statement of Financial Position (2024 - $344,702). The current year impact of the change in fair value of the interest rate swaps is an unrealized loss in the Statement of Remeasurement Gains and Losses of $132,439 (2024 - unrealized gain of $81,720).

The fair value of the interest rate swaps has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

	$
2025	566,000
2026	593,000
2027	580,000
2028	181,000
2029	187,000
Thereafter	2,604,000
	4,711,000

10. Deferred capital contributions

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

	2025 **$**	2024 $
Balance, beginning of year	**86,764,449**	92,351,023
Additional donations and grants received	**2,272,535**	1,627,577
Less amounts amortized to revenue for the current year	**(6,502,295)**	(7,214,151)
Balance, end of year	**82,534,689**	86,764,449

The balance of deferred capital contributions related to capital assets consists of the following:

	2025 **$**	2024 $
Unamortized capital contributions used to purchase assets	**82,534,689**	86,764,449

11. Investment in capital assets

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

	2025 $	2024 $
Capital assets	**94,574,856**	99,593,925
Amounts financed by:		
Deferred contributions on capital assets	**(82,534,689)**	(86,764,449)
Asset retirement obligation	**-**	-
Long-term debt	**(4,711,000)**	(5,255,000)
	7,329,167	7,574,476

(b) Change in net assets for investment in capital assets is calculated as follows:

	2025 $	2024 $
Deficiency of revenue over expenses:		
Amortization of deferred contributions	**6,502,295**	7,214,151
Amortization of capital assets	**(8,663,430)**	(9,588,436)
	(2,161,135)	(2,374,285)

	2025 $	2024 $
Net change in investment in capital assets:		
Purchase of capital assets	**3,644,361**	2,941,949
Asset retirement obligation		433,170
Amounts funded by deferred contributions	**(2,272,535)**	(1,627,577)
Repayment of long-term debt	**544,000**	521,000
	1,915,826	2,268,542

12. Contingencies and commitments

(a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims as at March 31, 2025, management believes the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) On July 1, 1987, a group of health care organizations (the "subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). 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 as at March 31, 2025.

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. There are no distributions receivable from HIROC as of March 31, 2025.

13. 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 $7,038,901 (2024 - $6,641,583) and are included in the Statement of Operations.

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 2024 Annual Report indicates the plan is fully funded at 111%.

14. Net change in non-cash working capital components relating to operations

	2025	2024
	$	$
Decrease (increase) in current assets:		
Accounts receivable	**305,261**	512,242
Inventories	**260,497**	(214,239)
Prepaid expenses	**326,185**	(262,553)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	**5,832,134**	(849,972)
Deferred revenue	**66,266**	113,020
Net change in non-cash working capital	**6,790,343**	(701,502)

15. Related entities

(a) Cornwall Community Hospital Foundation:

The Hospital has an economic interest, but not control, in Cornwall Community Hospital Foundation (the “Foundation”).

The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The Foundation’s mandate is to raise funds for the Hospital’s programs, medical equipment, expansion and renovation to enhance quality healthcare in the community.

The net assets and results of the operations of the Foundation are not included in the financial statements of the Hospital.

Related party transactions during the year not separately disclosed in the financial statements include an amount of $780,306 (2024 - $902,116) that has been received or receivable from the Foundation, of which $711,171 has been recorded as deferred contributions to fund the purchase of capital equipment for the Hospital and the remainder has been recognized as revenue to offset minor equipment purchases.

(b) Auxiliary to the Cornwall Community Hospital:

The net assets and results of the operations of the Auxiliary are not included in the financial statements of the Hospital.

The Hospital has an economic interest in the Auxiliary to the Cornwall Community Hospital by way of the Hospital holding resources that are used by the Auxiliary to produce revenue.

15. Related entities (continued)

(c) Eastern Ontario Regional Laboratory Association:

The Hospital has economic interest, but no control, in Eastern Ontario Regional Laboratory Association ("EORLA"). The net assets and results of the operations of EORLA are not included in the financial statements of the Hospital. Services in the amount of $7,307,136 (2024 - $7,025,262) were purchased from EORLA and are included in other supplies and expenses in the Statement of Operations. Expenses incurred at the Hospital for items such as salaries and supplies in the amount of $174,154 (2024 - $141,806) associated with lab testing are fully recoverable from EORLA, of which $20,135 (2024 - $Nil) is included in accounts receivable and of which $227,136 (2024 - $68,454) is included in accounts payable as at March 31, 2025.

16. Financial risks and concentration of credit risk

(a) Credit risk:

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

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital as 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 Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

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.

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

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

16. Financial risks and concentration of credit risk (continued)

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(d) 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 interest-bearing term loans payable and its interest rate swaps.

The Hospital mitigates interest rate risk on its term loans through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term loan for a fixed rate (see note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

There has been no change to the interest rate risk exposure from 2024.

17. Diabetes education program

Included in Patient Care Ministry of Health revenue is funding in the amount of $372,838 (2024 - $372,838) intended for the Diabetes Education Program. The expenses for this program totalled $483,140 (2024 - $492,618), which includes $479,237 (2024 - $485,824) for salaries and $3,903 (2024 - $6,794) for supplies and sundry expenses. The program deficit of $110,302 (2024 - $119,780) was covered with hospital base funding.

18. Ontario Health Team

The Hospital is the designated fund holder of the implementation funding for the Upper Canada, Cornwall and Area Ontario Health Team ("UCCA OHT"). The Hospital received funding for the UCCA OHT in the amount of $1,014,333 during the 2025 fiscal year. As at March 31, 2025, $958,623 is recorded as both a revenue and an expense in the Statement of Operations, $55,710 is payable to the Ministry of Health.

19. Asset Retirement Obligation

On April 1, 2022, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Hospital's asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2022, the Hospital recognized an asset retirement obligation relating to buildings owned by the Hospital that contain asbestos. The building was originally obtained as part of the amalgamation in December 2003 and the liability was measured as of the date of transfer when the liability was created. The building had an expected useful life of 25 years, and the estimate has not been changed since the transfer.

	2025 **$**	2024 $
Opening balance	**3,815,839**	3,273,389
Remeasurement	**(7,660)**	421,663
Accretion expense	**198,063**	120,787
	4,006,242	3,815,839