Financial Statements of

CORNWALL COMMUNITY HOSPITAL

Year ended March 31, 2024

MNP

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, 2024, and the statements of operations, changes in net assets (liabilities), cash flows and remeasurement gains and losses for the year then ended, the statement of financial position as at March 31, 2023, 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, 2024, and the results of its operations, changes in its net assets (liabilities) and its cash flows for the year then ended and the financial position as at March 31, 2023, 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.

Other information

Due to the timing and impact of the cyber event that occurred on April 11, 2023, the opening balances as at March 31, 2023, were also audited.

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
July 23, 2024

Chartered Professional Accountants
Licensed Public Accountants

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CORNWALL COMMUNITY HOSPITAL

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 24,121,156	$ 23,011,407
Restricted cash (note 5)	-	200,000
Accounts receivable (note 4)	8,153,950	8,666,192
Inventories	1,562,423	1,348,184
Prepaid expenses	1,393,527	1,130,974
	35,231,056	34,356,757
Capital assets (note 6)	99,593,925	106,240,412
Interest rate swaps (note 9)	344,702	262,982
	$ 135,169,683	$140,860,151

Liabilities, Deferred Contributions and Net Assets (Liabilities)

	2024	2023
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 31,864,994	$ 32,714,966
Deferred revenue	2,318,574	2,205,554
Employee future benefits (note 8)	427,825	348,606
Current portion of long-term debt (note 9)	544,000	521,000
	35,155,393	35,790,126
Employee future benefits (note 8)	6,138,688	6,274,940
Long-term debt (note 9)	4,711,000	5,255,000
Asset retirement obligation liability (note 20)	3,815,839	3,273,389
Deferred capital contributions (note 10)	86,764,449	92,351,023
	$136,585,369	$142,944,478
Net assets (liabilities):		
Invested in capital assets (note 11)	7,574,476	7,680,219
Unrestricted	(9,334,864)	(10,027,528)
	(1,760,388)	(2,347,309)
Accumulated remeasurement gains	344,702	262,982
	$ (1,415,686)	$(2,084,327)
Contingencies and commitments (note 12)		
	$ 135,169,683	$ 140,860,151

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director _______________ Director

CORNWALL COMMUNITY HOSPITAL

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
		(Unaudited)
Revenue:		
Patient care:		
Ministry of Health	$136,866,146	$ 121,369,679
Other	16,989,860	20,437,739
Recovery:		
Preferred accommodations	63,575	14,625
Other	6,844,983	5,428,375
Investment income	844,625	678,868
Amortization of deferred contributions related to equipment	1,990,112	2,151,085
Other programs:		
Ministry of Health	10,888,756	10,414,645
Ministry of Community and Social Services	3,508,135	3,458,230
	177,996,192	163,953,246
Expenses:		
Salaries and wages	75,989,374	70,271,411
Employee benefits	22,847,798	22,096,119
Medical staff remuneration	14,104,535	15,628,445
Medical and surgical supplies	8,813,147	8,660,742
Drugs and medical gases	7,287,211	6,754,660
Other supplies and expenses	27,858,419	22,205,255
Buildings and grounds	1,172,614	994,825
Amortization of capital assets - equipment	4,065,622	4,462,625
Interest on long-term debt	-	35,176
Other programs:		
Ministry of Health	11,156,470	10,414,645
Ministry of Community and Social Services	3,508,135	3,458,230
	176,803,325	164,982,133
Excess (deficiency) of revenue over expenses before undernoted items	1,192,867	(1,028,887)
Interest on long-term debt	(186,384)	(118,251)
Amortization of deferred contributions related to building	5,224,039	5,256,900
Accretion expense (ARO)	(120,787)	(116,490)
Amortization of capital assets - building	(5,522,814)	(5,543,304)
	(605,946)	(521,145)
Excess (deficiency) of revenue over expenses	$ 586,921	$ (1,550,032)

See accompanying notes to financial statements.

CORNWALL COMMUNITY HOSPITAL

Statement of Changes in Net Assets (Liabilities)

Year ended March 31, 2024, with comparative information for 2023

	Invested in capital assets	Unrestricted	2024 Total	2023 Total
Balance, beginning of year	$ 7,680,219	$ (10,027,528)	$ (2,347,309)	$ (588,267)
Excess (deficiency) of revenue over expenses (note 11 (b))	(2,374,285)	2,961,206	586,921	(1,550,032)
Transfer of endowment fund	-	-	-	(209,010)
Net change in investment in capital assets (note 11 (b))	2,268,542	(2,268,542)	-	-
Balance, end of year	$ 7,574,476	$ (9,334,864)	$ (1,760,388)	$ (2,347,309)

See accompanying notes to financial statements.

CORNWALL COMMUNITY HOSPITAL

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 586,921	$ (1,550,032)
Items not involving cash:		
Amortization of capital assets	9,588,436	10,005,930
Accretion expense	120,787	116,490
Amortization of deferred contributions related to capital assets	(7,214,151)	(7,407,985)
Decrease in employee future benefits	(57,033)	(77,522)
Net change in non-cash working capital components (note 14)	(701,502)	7,879,398
	2,323,458	8,966,279
Capital activities:		
Purchase of capital assets	(2,941,949)	(6,181,299)
Remeasurement of ARO	421,663	-
Increase in deferred contributions related to capital assets	1,627,577	2,515,561
	(892,709)	(3,665,738)
Financing activities:		
Proceeds from long-term debt	-	2,000,000
Transfer of Endowment Fund	-	(209,010)
Repayment of long-term debt	(521,000)	(2,562,000)
	(521,000)	(771,010)
Increase in cash	909,749	4,529,531
Cash, beginning of year	23,211,407	18,681,876
Cash, end of year	$ 24,121,156	$ 23,211,407
Cash is comprised of the following:		
Cash	$ 24,121,156	$ 23,011,407
Restricted cash (capital)	-	200,000
	$ 24,121,156	$ 23,211,407

See accompanying notes to financial statements.

CORNWALL COMMUNITY HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains, beginning of year	$ 262,982	$ 212,584
Unrealized gain attributable to:		
Interest rate swaps	81,720	50,398
Accumulated remeasurement gains, end of year	$ 344,702	$ 262,982

See accompanying notes to financial statements.

Cornwall Community Hospital/Hôpital communautaire de Cornwall (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.

1. Change in accounting policies

2022-2023 Annual Improvements (Amendments to Section PS 3160 and Section PS 3420)

Effective April 1, 2023, the Hospital adopted the Public Sector Accounting Board (PSAB) 2022-2023 annual improvements which correct errors in wording or clarify the PSA Handbook and other guidance. The amendments include:

- Updates to the transitional provisions in Section PS 3160 Public Private Partnerships to explicitly state that early adoption is permitted;
- Updates to Section PS 3420 Inter-entity Transactions to clarify the application of PSG-8 Purchased Intangibles, to inter-entity transactions;
- Replacing the term “summary financial statements” with “financial reports” in all standards;
- Clarifying the Introduction to Public Sector Guidelines and removing outdated guidance related to local governments;
- Replacing the term “power” with “ability” or “authority”, as appropriate, to align with the Conceptual Framework;
- Chapter 5;
- Correcting grammatical errors in the decision tree in Section PS 3050 Loans Receivable; and
- Updating the terminology in many of the standards from “government” to “public sector entity” or “entity”, as appropriate.

There was no impact on the financial statements from the prospective application of the new accounting recommendations.

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1. Change in accounting policies (continued)

Section PS 3160, Public Private Partnerships

Effective April 1, 2023, the Hospital adopted the Public Sector Accounting Board (PSAB) Section PS 3160 Public Private Partnerships, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. The main features of the new Section include:

- Section PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:
  - Design, build, acquire or better new or existing infrastructure;
  - Finance the transaction past the point where the infrastructure is ready for use; and
  - Operate and/or maintain the infrastructure.
- Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure.
- An infrastructure asset acquired in an exchange transaction should be initially measured at cost, which should be equal to the infrastructure asset's fair value on the initial measurement date.
- The cost of the infrastructure asset would be amortized over the useful life of the asset in a rational and systematic manner.
- A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.

When a liability exists, it would be measured at the same value as the asset, reduced for any consideration previously transferred.

Subsequent measurement of a financial liability should be at amortized cost using the effective interest method.

For the subsequent measurement of the performance obligations, the revenues would be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

The prospective application of this new standard had no impact on the financial statements.

CORNWALL COMMUNITY HOSPITAL

Notes to Financial Statements

Year ended March 31, 2024

1. Change in accounting policies (continued)

Section PS 3400, Revenue

Effective April 1, 2023, the Hospital adopted the new Section PS 3400 Revenue. Section PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor.
- Performance obligations can be satisfied at a point in time or over a period of time.
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.

The prospective application of this new standard had no impact on the financial statements.

Accounting Guideline PSG-8 – Purchased Intangibles

Effective April 1, 2023, the Hospital adopted the amendments issued by the Public Sector Accounting Board (PSAB) to Section PS 1000 Financial Statement Concepts and Section PS 1201 Financial Statement Presentation. As a consequence, Public Sector Guideline 8 Purchased Intangibles (PSG-8) was issued at the same time.

PSG-8 explains the scope of the intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. The main features of the new Guideline are:

- A definition of purchased intangibles;
- Examples of items that are not purchased intangibles;
- References to other guidance in the PSA Handbook on intangibles; and
- Reference to the asset definition, general recognition criteria and the Generally Accepted Accounting Principles (GAAP) hierarchy for accounting for purchased intangibles.

The amendments to Section PS 1000 allow for recognition of purchased intangibles in financial statements. The main features of the amendments include:

- Removal of the prohibition on recognition of purchased intangibles as assets; and
- Reference to the new PSG-8.

1. Change in accounting policies (continued)

Accounting Guideline PSG-8 – Purchased Intangibles (continued)

The amendments to Section PS 1201 remove disclosure requirements for unrecognized purchased intangibles as they are irrelevant given the amendments made to Section PS 1000 allowing recognition of purchased intangibles in financial statements.

The amendments to Section PS 1000 and Section PS 1201 and PSG-8 are effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted. Retroactive or prospective application is permitted.

The prospective application of this new standard had no impact on the financial statements.

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, 2022, disclosed actuarial assets of $112,635 million (2022 - $103,674 million) with accrued pension liabilities of $102,454 million (2022 - $92,721 million), resulting in a surplus of $10,181 million (2022 - $10,953 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2023, 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 10.2 years (2023 – 9.5 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, 2024 (2023 - $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 (2023 - $Nil) was drawn against at year end.

4. Accounts receivable:

Accounts receivable are comprised of the following items:

	2024	2023
Ministry of Health (Ontario Health)	$ 1,502,421	$ 4,497,042
Ontario Health Insurance Plan (OHIP)	1,876,679	1,721,329
Other	5,304,446	2,716,410
	8,683,546	8,934,781
Less allowance for doubtful accounts receivable	529,596	268,589
	$ 8,153,950	$ 8,666,192

5. Restricted cash:

Restricted cash is comprised of the following items:

	2024	2023
Cash related to capital	$ -	$ 200,000
Less current portion	-	200,000
	$ -	$ -

6. Capital assets:

Capital assets are comprised of the following items:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	$ 2,586,644	$ –	$ 2,586,644	$ 2,586,644
Land improvements	849,832	614,520	235,312	–
Buildings	107,108,195	42,793,312	64,314,883	66,188,273
Building service equipment	45,801,989	24,361,147	21,440,842	23,656,778
Furniture and equipment	45,388,799	42,013,212	3,375,587	6,290,760
Information system software and equipment	26,189,572	18,548,915	7,640,657	7,517,957
	$ 227,925,031	$ 128,331,106	$ 99,593,925	$ 106,240,412

Cost and accumulated amortization of capital assets as at March 31, 2023, amounted to $226,003,776 and $119,763,364, respectively.

7. Accounts payable and accrued liabilities:

Accounts payable are comprised of the following items:

	2024	2023
Salaries and wages	$ 9,380,555	$ 10,183,956
Vacation and banked time	2,396,844	2,004,896
Pay equity liability	288,628	1,659,936
Accounts payable and accrued liabilities	19,798,967	18,866,178
	$ 31,864,994	$ 32,714,966

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, 2024.

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

	2024	2023
Discount rate	3.95%	4.04%
Salary increases	2.50%	2.50%
Inflation	2.00%	2.00%
Dental benefits escalation	2.50%	4.00%
Health benefits escalation	4.00%	4.00%

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

	2024	2023
Accrued benefit obligation, opening balance	$ 5,988,913	$ 5,605,705
Current service costs	254,150	244,291
Interest on accrued benefit obligation	236,946	213,419
Benefits paid	(484,858)	(426,128)
Actuarial (gain) loss	(16,104)	351,626
Accrued benefit obligation, closing balance	$ 5,979,047	$ 5,988,913

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

	2024	2023
Accrued benefit obligation	$ 5,979,047	$ 5,988,914
Unamortized actuarial gain	528,593	575,759
Accrued benefit liability	6,507,640	6,564,673
Less: current portion of benefit liability	427,825	348,606
Long-term portion of employee future benefits	6,079,815	6,216,067
Add: EORLA vested employees	58,873	58,873
	$ 6,138,688	$ 6,274,940

9. Long-term debt:

	2024	2023
Fixed rate term loan bearing interest at 5.0%, payable in blended monthly payments between $29,000 and $38,000, due February 28, 2028	$ 1,608,000	$ 1,971,000
Fixed rate term loan bearing interest at 2.66%, payable in blended monthly payments between $12,000 and $22,000, due December 18, 2041	3,647,000	3,805,000
	$ 5,255,000	$ 5,776,000
Less current portion	544,000	521,000
	$ 4,711,000	$ 5,255,000

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, 2024, is in a net favourable position of $344,702, which is recorded in the Statement of Financial Position (2023 - $262,982). The current year impact of the change in fair value of the interest rate swaps is an unrealized gain in the Statement of Remeasurement Gains and Losses of $81,720 (2023 – unrealized gain of $50,398).

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	$ 544,000
2026	566,000
2027	593,000
2028	580,000
2029	181,000
Thereafter	2,791,000
	$ 5,255,000

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.

	2024	2023
Balance, beginning of year	$ 92,351,023	$ 97,243,448
Additional donations and grants received	1,627,577	2,515,560
Less amounts amortized to revenue for the current year	(7,214,151)	(7,407,985)
Balance, end of year	$ 86,764,449	$ 92,351,023

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

	2024	2023
Unamortized capital contributions used to purchase assets	$ 86,764,449	$ 92,351,023

11. Investment in capital assets:

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

	2024	2023
Capital assets	$ 99,593,923	$ 106,240,412
Amounts financed by:		
Deferred contributions on capital assets	(86,764,449)	(92,351,023)
Asset retirement obligation	-	(433,170)
Long-term debt	(5,255,000)	(5,776,000)
	$ 7,574,476	$ 7,680,219

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

	2024	2023
Deficiency of revenue over expenses:		
Amortization of deferred contributions	$ 7,214,151	$ 7,407,985
Amortization of capital assets	(9,588,436)	(10,005,930)
	$ (2,374,285)	$ (2,597,945)

	2024	2023
Net change in investment in capital assets:		
Purchase of capital assets	$ 2,941,949	$ 6,181,299
Asset retirement obligation	433,170	-
Amounts funded by deferred contributions	(1,627,577)	(2,515,561)
Repayment of long-term debt	521,000	2,562,000
Amounts financed by long-term debt	-	(2,000,000)
	$ 2,268,542	$ 4,227,738

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, 2024, 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, 2024.

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, 2024.

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 $6,641,583 (2023 - $6,422,346) 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 2023 Annual Report indicates the plan is fully funded at 115%.

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

		2024		2023
Decrease (increase) in current assets:				
Accounts receivable	$	512,242	$	129,235
Inventories		(214,239)		592,442
Prepaid expenses		(262,553)		827,318
Increase (decrease) in current liabilities:				
Accounts payable and accrued liabilities		(849,972)		6,571,623
Deferred revenue		113,020		(241,220)
Net change in non-cash working capital	$	(701,502)	$	7,879,398

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 $902,116 (2023 - $1,050,650) that has been received or receivable from the Foundation, of which $844,738 has been recorded as deferred contributions to fund the purchase of equipment for the Hospital.

(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 $7,025,262 (2023 - $6,454,638) 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 $141,806 (2023 - $177,725) associated with lab testing are fully recoverable from EORLA, of which $Nil (2023 - $27,500) is included in accounts receivable as at March 31, 2024.

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, 2024, 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 2023.

(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 2023.

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 2023.

17. Diabetes education program:

Included in Patient Care Ministry of Health revenue is funding in the amount of $372,838 (2023 - $372,838) intended for the Diabetes Education Program. The expenses for this program totalled $492,618 (2023 - $466,456), which includes $485,824 (2023 - $465,904) for salaries and $6,794 (2023 - $552) for supplies and sundry expenses. The program deficit of $119,780 (2023 - $93,618) was covered with hospital base funding.

18. Ministry of Health Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. In 2022-23, the Hospital recorded a liability of $3,950,000 based on subsequent settlement amounts and management's estimate of potential settlement amounts. In 2023-24, the Hospital received $11,769,000 in one-time funding to compensate both the retro ($6.0M) and go forward expense ($5.8M) associated with Bill 124.

19. 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 $750,000 during the 2024 fiscal year. As at March 31, 2024, $750,000 is recorded as both a revenue and an expense in the Statement of Operations.

20. 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.

	2024	2023
Opening balance	$ 3,273,389	$ 2,723,730
Impact of the application of section PS 3280	-	433,169
Remeasurement	421,663	-
Accretion expense	120,787	116,490
	$ 3,815,839	$ 3,273,389