

Financial Statements of

**PEMBROKE REGIONAL  
HOSPITAL INC.**

And Independent Auditor's Report thereon

Year ended March 31, 2024

## STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of Pembroke Regional Hospital Inc. have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors no fewer than twice per year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. The accompanying Independent Auditor's report outlines their responsibilities, the scope of their examination and their opinion on the financial statements. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Pembroke Regional Hospital Inc.



Sabine Mersmann  
President & Chief Executive Officer



Scott Coombes  
Vice President  
Finance & Corporate Services

Pembroke, Canada  
June 13, 2024



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Pembroke Regional Hospital Inc.

### ***Opinion***

We have audited the financial statements of Pembroke Regional Hospital Inc. (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

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

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

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



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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 14, 2024

# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 10,353,344	\$ 4,738,709
Accounts receivable (note 3)	2,776,887	2,567,560
Receivable from government entities	1,861,397	6,770,899
Inventories	1,698,485	1,597,890
Prepaid expenses	1,112,518	807,878
	<u>17,802,631</u>	<u>16,482,936</u>
Loan receivable (note 4)	100,000	100,000
Capital assets (note 5)	90,028,566	82,644,029
	<u>\$ 107,931,197</u>	<u>\$ 99,226,965</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 20,624,526	\$ 22,288,384
Deferred contributions (note 10)	509,184	485,871
	<u>21,133,710</u>	<u>22,774,255</u>
Employee future benefits liability (note 8)	6,850,383	6,628,324
Asset retirement obligation (note 9)	1,245,406	1,425,432
Deferred capital contributions (note 11)	49,285,889	40,146,258
	<u>78,515,388</u>	<u>70,974,269</u>
Net assets	29,415,809	28,252,696
Contractual obligations (note 15)		
Contingencies (note 16)		
	<u>\$ 107,931,197</u>	<u>\$ 99,226,965</u>

See accompanying notes to financial statements

On behalf of the Board



Chair

# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Operations

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

	2024	2023
Revenue:		
Ontario Health and Ministry of Health funding	\$ 93,902,463	\$ 83,176,677
Ministry of Health pandemic funding	-	4,907,057
Other government funding	19,920,428	18,804,365
Insurers and patients	1,337,132	1,212,561
Other income and recoveries	4,050,539	4,489,505
Amortization of deferred contributions	352,721	375,346
	<u>119,563,283</u>	<u>112,965,511</u>
Expenses:		
Salaries, wages and benefits	70,045,151	65,191,115
Medical staff remuneration	15,844,868	16,250,597
Purchased services	2,730,655	4,123,211
Medical and surgical supplies	5,061,198	4,976,008
Drugs and medical gases	3,755,692	4,682,425
Other supplies and expenses	20,250,723	18,053,006
Amortization - equipment	2,292,380	1,996,039
	<u>119,980,667</u>	<u>115,272,401</u>
Deficiency of revenue over expenses before undernoted items	(417,384)	(2,306,890)
Bill 124 retroactive funding (note 7)	4,140,639	-
Bill 124 retroactive wage adjustments (note 7)	(1,319,355)	(3,279,435)
Excess (deficiency) of revenue over expenses from operations	2,403,900	(5,586,325)
Amortization - buildings and building service equipment	(3,112,716)	(2,625,520)
Amortization - deferred capital contributions for buildings	2,024,332	1,487,708
Asset retirement obligation remediation cost	(152,403)	-
Excess (deficiency) of revenue over expenses	<u>\$ 1,163,113</u>	<u>\$ (6,724,137)</u>

See accompanying notes to financial statements

# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Changes in Net Assets

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

	2024		2023	
Net assets, beginning of year	\$	28,252,696	\$	34,976,833
Excess (deficiency) of revenue over expenses		1,163,113		(6,724,137)
Net assets, end of year	\$	29,415,809	\$	28,252,696

See accompanying notes to financial statements



# PEMBROKE REGIONAL HOSPITAL INC.

## Statement of Cash Flows

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

	2024	2023
Cash flows from operating activities:		
Excess (deficiency) of revenues over expense	\$ 1,163,113	\$ (6,724,137)
Adjustments for:		
Amortization of deferred capital contributions	(2,377,053)	(1,863,054)
Amortization of capital assets	5,405,096	4,621,559
Loss (gain) on disposal of capital assets	277,016	(8,185)
Increase in employee future benefits liability	222,059	187,343
Asset retirement obligation	(180,026)	-
	<u>4,510,205</u>	<u>(3,786,474)</u>
Changes in non-cash working capital items:		
Accounts receivable	(209,327)	(803,239)
Receivable from government entities	4,909,502	2,436,104
Inventories	(100,595)	(234,718)
Prepaid expenses	(304,640)	74,194
Accounts payable and accrued liabilities	(1,663,858)	3,587,771
Deferred contributions	23,313	(327,694)
	<u>7,164,600</u>	<u>945,944</u>
Cash flows from capital activities:		
Acquisition of capital assets	(13,066,649)	(10,502,517)
Proceeds from disposal of capital assets	-	8,185
	<u>(13,066,649)</u>	<u>(10,494,332)</u>
Cash flows from financing activities:		
Capital contributions received	11,516,684	6,814,945
	<u>11,516,684</u>	<u>6,814,945</u>
Cash flows from investing activities:		
Decrease in restricted cash	-	1,714,403
	<u>5,614,635</u>	<u>(1,019,040)</u>
Increase (decrease) in cash	5,614,635	(1,019,040)
Cash, beginning of year	4,738,709	5,757,749
Cash, end of year	<u>\$ 10,353,344</u>	<u>\$ 4,738,709</u>

See accompanying notes to financial statements

# PEMBROKE REGIONAL HOSPITAL INC.

## Notes to Financial Statements

Year ended March 31, 2024

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The Pembroke Regional Hospital Inc. (the "Hospital") is incorporated without share capital under the Canada Not-for-profit Corporations Act. The Hospital is a registered charity under the Income Tax Act and, as such, is exempt from income tax.

The Mission of the Hospital is as follows:

"We are a regional community hospital committed to delivering a wide range of quality health services. Following Catholic traditions, we will meet the physical, emotional and spiritual needs of all."

As a community hospital, the Hospital provides inpatient services such as obstetrics, surgery, medicine, and emergency. Outpatient services include day surgery, medical day care, community adult mental health and a comprehensive ambulatory clinic staffed by local specialists as well as visiting specialists. Obstetrical services are also provided to outlying areas such as Barry's Bay and Deep River, in addition to a regional mental health program and a county-wide rehabilitation program.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

#### (a) Revenue recognition:

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

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 (the "MOH") and the Ontario Health – East ("OHE"). 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 the subsequent period.

Pursuant to agreements with the MOH and OHE, if the Hospital does not meet specified levels of activity or other conditions for revenue recognition, the MOH or OHE may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the goods are sold or the service provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### (b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

### (c) Capital assets:

Capital assets purchased by the Hospital are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution, if determinable. Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the asset is utilized.

The cost of renovations to the Hospital buildings, which significantly increase their useful lives and capacities, is included as part of the cost of the related capital assets. Renovation costs to adapt the Hospital buildings to changing operating conditions or to maintain normal operating efficiency are expensed as incurred.

Amortization is calculated on a straight-line basis over the assets' estimated useful lives for periods varying from three to 50 years.

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Land improvements	10 years
Buildings and additions	10 to 50 years
Equipment and furnishings	3 to 25 years

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### (d) Contribution receivable:

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

### (e) Write-down of capital assets:

When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

### (f) Cash and cash equivalents:

The Hospital's policy is to present bank balances under cash and cash equivalents, including bank overdrafts with balances that can fluctuate from being positive to overdrawn.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### (g) Employee future benefits:

The Hospital accrues its obligation under employee benefits plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and based on management's best estimate of salary escalation, retirement ages of employees and expected health care costs. As a result, the present value of expected future payments for post-employment benefits are included in the statement of financial position and the costs are included in the statement of operations in benefits. The actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the employees (8.9 years).

The Hospital is a member of the Healthcare of Ontario Pension Plan, a multi-employer defined benefit plan. For this plan, the Hospital has adopted defined contributions accounting standards as there is not sufficient information available to apply defined benefit accounting standards.

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

The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2023 disclosed actuarial assets of \$112 billion (2022 - \$104 billion) with accrued pension liabilities of \$102 billion (2022 - \$93 billion), resulting in a surplus of \$10 million (2022 - \$11 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.

### (h) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain Hospital facilities and underground fuel tanks on properties owned by the Hospital has been recognized based on estimated future expenses. 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 recorded within the consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

### (i) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of the 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 periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

### (k) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured 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. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

### (j) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2024 or 2023.

## 2. Change in accounting policy:

On April 1, 2023, the Hospital adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at March 31, 2024 the Hospital determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

### 3. Accounts receivable:

	2024	2023
Insurers and patients	\$ 1,800,312	\$ 1,524,701
Other	1,642,049	1,755,309
	3,442,361	3,280,010
Less allowance for doubtful accounts	(665,474)	(712,450)
	\$ 2,776,887	\$ 2,567,560

### 4. Loan receivable:

The loan receivable for physician recruitment is non-interest bearing and is due at the earlier of seven years from the date of the advance being December 18, 2027 or the triggering of certain events outlined in the loan agreement which would result in the borrower being unable to fulfill the contract as an independent contractor providing agreed upon services to the Hospital. In the event of default on terms of the repayment, interest shall accrue from the date of default on the amount of the loan remaining unpaid at a rate of 5%.

### 5. Capital assets:

		2024	
	Cost	Accumulated Amortization	Net book Value
Land and improvements	\$ 1,282,147	\$ 260,712	\$ 1,021,435
Buildings, building equipment and additions	112,227,148	34,000,675	78,226,473
Equipment and furnishings	34,825,826	25,900,809	8,925,017
Construction in progress	1,855,641	–	1,855,641
	\$ 150,190,762	\$ 60,162,196	\$ 90,028,566
		2023	
	Cost	Accumulated Amortization	Net book Value
Land and improvements	\$ 1,282,147	\$ 260,712	\$ 1,021,435
Buildings, building equipment and additions	94,850,454	30,876,337	63,974,117
Equipment and furnishings	32,603,075	23,849,892	8,753,183
Construction in progress	8,895,294	–	8,895,294
	\$ 137,630,970	\$ 54,986,941	\$ 82,644,029

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 6. Accounts payable and accrued liabilities:

	2024	2023
Trade accounts payable	\$ 5,456,889	\$ 4,379,563
Payable to government entities	1,572,657	4,184,474
Payroll liabilities	9,793,550	11,080,838
Other	3,801,430	2,643,509
	<u>\$ 20,624,526</u>	<u>\$ 22,288,384</u>

## 7. Accrual for retroactive wages:

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. During the year, the Hospital has paid a total of \$4,598,790 in retroactive wage adjustments to active employees because of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Organizations current wage rates and are included in the reported amount of salaries and wages.

The MOH has provided the Organization with one time funding to offset the current year cost of the retroactive wage adjustments, as well as on-going impacts up to March 31, 2024.

The amounts paid for retroactive wage adjustments and the associated MOH funding has been presented separately in the Statement of Operations.

## 8. Employee future benefits:

The Hospital offers its employees health, dental and other benefits and continues to offer these benefits after their retirement through an unfunded defined benefit plan. An independent actuarial valuation of the post-retirement benefits for employees was prepared as at March 31, 2024. The accrued benefit obligation related to these employee future benefits is based on the actuarial valuation dated March 31, 2024. Information regarding these benefits is presented as follows:

	2024	2023
<i>Reconciliation of accrued benefit obligation:</i>		
Accrued benefit obligation, beginning of year	\$ 6,220,957	\$ 5,820,572
Current service cost	320,309	303,733
Interest on accrual benefit obligation	248,566	224,587
Experience gains	(375,732)	153,976
Benefits paid during the year	(309,696)	(281,911)
Accrued benefit obligation, end of year	<u>6,104,404</u>	<u>6,220,957</u>
Accrued benefit liability, end of year	<u>6,850,383</u>	<u>6,628,324</u>
	<u>\$ (745,979)</u>	<u>\$ (407,367)</u>

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 8. Employee future benefits (continued):

	2024	2023
<i>Represented by:</i>		
Unamortized actuarial losses	\$ (684,370)	\$ (330,365)
EORLA transferred employees remaining liability <sup>1</sup>	(61,609)	(77,002)
	<u>\$ (745,979)</u>	<u>\$ (407,367)</u>
<i>Reconciliation of current year expense:</i>		
Current service cost	\$ 320,309	\$ 303,733
Amortization of actuarial gains	(37,120)	(59,066)
Interest on accrued benefit obligation	248,566	224,587
	<u>\$ 531,755</u>	<u>\$ 469,254</u>
<i>Reconciliation of accrued benefit liability:</i>		
Accrued benefit liability, beginning of year	\$ 6,628,324	\$ 6,440,981
Expense for the period	531,755	469,254
Benefits paid during the year	(309,696)	(281,911)
	<u>\$ 6,850,383</u>	<u>\$ 6,628,324</u>

<sup>1</sup> Effective April 1, 2012, a group of employees transferred to the Eastern Ontario Regional Laboratory Association ("EORLA"). An accrued benefit liability related to these individuals remains under the responsibility of the Hospital up to a maximum amount of \$61,609. This amount could be reduced in the future if certain life events occur. This amount is included in the Hospital's accrued benefit liability.



# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 8. Employee future benefits (continued):

*Actuarial assumptions:*

The actuarial cost method used for the valuation is the projected benefit method prorated on services:

	2024	2023
Discount rate on accrued benefit obligation	3.95%	4.04%
Health cost increases	8.5% Decreasing by 0.5% to 4.5%	8.5% Decreasing by 0.5% to 4.5%
Dental cost increases	4%	4%
Retirement age	Earlier of age 60 or 57 with 30 years of service or in 6 months if eligible	Earlier of age 60 or 57 with 30 years of service or in 6 months if eligible
Unamortized actuarial gains and losses	Amortized over 9.5 years	Amortized over 9.5 years

## 9. Asset retirement obligation:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities as well as underground fuel tanks on properties owned by the Hospital. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material and any soil contaminants in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2024	2023
Balance, beginning of year	\$ 1,425,432	\$ 1,425,432
Inflation adjustment	191,979	—
Remediation incurred during the year	(372,005)	—
Balance, end of year	\$ 1,245,406	\$ 1,425,432

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

## 10. Deferred contributions:

Deferred contributions related to other expenditures represent contributions received for specific expenses which have not yet been incurred at year-end.

Changes in deferred contributions balances for the year are as follows:

	2024	2023
Balance, beginning of year	\$ 485,871	\$ 813,565
Contributions received during the year	50,604	102,511
Amount related to other expenditures amortized to revenue	(27,291)	(430,205)
Balance, end of year	\$ 509,184	\$ 485,871

## 11. Deferred capital contributions:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at a rate corresponding to the amortization rate of the related capital assets.

	2024	2023
Buildings and additions	\$ 44,162,636	\$ 36,262,244
Equipment and furnishings	5,123,253	3,884,014
	\$ 49,285,889	\$ 40,146,258

Changes in deferred contributions balances for the year are as follows:

	2024	2023
Balance, beginning of year	\$ 40,146,258	\$ 35,194,367
Contributions received during the year	11,516,684	6,824,564
Amount related to other expenditures amortized to revenue	–	(9,619)
Amount related to capital assets amortized to revenue	(2,377,053)	(1,863,054)
Balance, end of year	\$ 49,285,889	\$ 40,146,258

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 12. Pension plan:

Employees of the Hospital are entitled to participation in the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer final average pay contributory pension plan. All full-time employees that have reached six months of continuous service must adhere to the Plan. It is offered on a voluntary basis to part-time employees. The cost of the contributions paid by the Hospital and expensed for the year ended March 31, 2024 amounts to \$4,354,203 (2023 - \$3,875,649). This amount is included in salaries, wages and benefits in the statement of operations.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. As of December 31, 2023, the Plan is in a surplus position with the regulatory funded ratio of actuarial value of net assets to accrued liabilities of 115%.

## 13. Economic interests:

The following transactions are in the normal course of business and are measured at their exchange amounts.

### **EORLA**

Pembroke Regional Hospital Inc. is one of sixteen acute care hospital facilities which participate in the integrated hospital laboratory network called EORLA, which became operational on April 1, 2012. Pembroke Regional Hospital Inc. has representation on EORLA’s Board of Directors, which consists of eleven members.

EORLA has entered into a long-term service agreement with Pembroke Regional Hospital Inc. to provide laboratory services to the Hospital, and an occupancy agreement whereby the Hospital agrees to provide EORLA space within its facilities for the provision of laboratory services. The agreements are typically in effect for 10 years. The current contract has been renewed effective April 1, 2024 for an additional 10 year period.

During the year, Pembroke Regional Hospital Inc. billed EORLA for services and supplies in the amount of \$125,771 (2023 - \$105,003) and made payments to EORLA in the amount of \$5,357,603 (2023 - \$4,618,221).

### **Champlain Health Supply Services (“CHSS”)**

CHSS was established to provide sourcing, procurement and logistics services to member hospitals within the Ontario Health – East region, with the goal of reducing the amount that member hospitals pay for such services. Pembroke Regional Hospital Inc. is one of six founding members and has one voting member on the Board of Directors.

CHSS has entered into a membership agreement with the Hospital to provide procurement services. Member hospitals pay assessment fees to CHSS and are indirectly responsible as members to cover the operating costs of CHSS annually through the funding formula. During the year, Pembroke Regional Hospital Inc. paid \$132,781 (2023 - \$103,824) in membership fees to CHSS.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 13. Economic interests (continued):

### **Catholic Health Corporation of Ontario**

Sponsorship of Pembroke Regional Hospital Inc. is provided by the Catholic Health Corporation of Ontario. The Catholic Health Corporation of Ontario ensures that operational and land use decisions of the Hospital conform to the philosophy and mission of the Hospital as specified in its By-laws.

### **Pembroke Regional Hospital Auxiliary**

The Hospital and Pembroke Regional Hospital Auxiliary, although under separate and independent governance, share common goals for the future vision of healthcare in the community. With this comes a collaboration of efforts and an effect on each party's ultimate decisions.

Donation revenue of \$40,000 (2023 - \$54,000) was recorded in the year.

### **Pembroke Regional Hospital Foundation**

The Hospital and Pembroke Regional Hospital Foundation, although under separate and independent governance, share common goals for the future vision of healthcare in the community. With this comes a collaboration of efforts and an effect on each party's ultimate decisions.

Donation revenue of \$1,754,292 (2023 - \$538,912) was recorded in the year.

## 14. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital's main credit risks relate to its accounts receivable. The Hospital provides credit to its clients in the normal course of its operations.

The Hospital establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. Approximately 33% of the total accounts receivable is to be received from insurers and patients, 49% from Ontario government, and 18% from other organizations. The Hospital considers that no significant risk arises from that situation.

There have been no significant changes to the credit risk exposure from 2023.

### (b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Hospital is exposed to this risk mainly in respect of its demand loans, accounts payable and long-term debt. The Hospital's ability to meet obligations depends on the receipt of funds from its patient care services, the provincial government and other sources.

There have been no significant changes to the liquidity risk exposure from 2023.

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 14. Financial risks and concentration of credit risk (continued):

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is exposed to interest risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Hospital to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Hospital no longer uses derivative financial instruments to alter the effects of this risk.

For the Hospital's long-term debt bearing a fixed interest rate, the risk exposure is minimal.

For the Hospital's demand loan bearing a variable interest rate, the Hospital's interest risk exposure is function of the changes of the underlying variable. However, a variation of 1% of the variable would not have a significant effect on the net earnings and financial position of the Hospital.

There have been no significant changes to the interest rate exposure since 2023.

## 15. Contractual obligations:

The Hospital is committed under long-term contracts for various service and maintenance agreements to make payments over the next five years as follows:

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2025	\$	915,044
2026		786,811
2027		450,565
2028		324,501
2029		297,532

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### **EORLA:**

As described in Note 14, the Hospital has entered into a long-term service agreement with EORLA for its laboratory services. The agreement is typically in effect for 10 years. EORLA has assumed all liabilities related to laboratory services effective April 1, 2012 and bills each member hospital semi-monthly for their share of laboratory costs incurred. The current contract has been renewed effective April 1, 2024 for an additional 10 year period.

### **Catholic Congregational Legacy Charity:**

The hospital leases under a long-term agreement land and buildings from the Catholic Congregational Legacy Charity ("CCLC"). The lease term continues until March 31, 2036. The Hospital is responsible for all occupancy costs including leasehold improvements. Additionally, upon termination or expiration of the lease, the Hospital is required to return the lands to a vacant state unless otherwise required by the CCLC.

### **Marianhill Inc.:**

Pembroke Regional Hospital Inc. has contracted Marianhill Inc. for the provision of services and the operation of eight complex continuing care hospital beds. Payments to Marianhill Inc. during the year amount to \$1,624,260 (2023 - \$2,159,262).

# PEMBROKE REGIONAL HOSPITAL INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 16. Contingencies:

### (a) Legal matters and litigation:

The Hospital is involved in litigation matters involving outstanding claims against the Hospital. In the opinion of the Hospital the insurance coverage is adequate to meet any judgment which might be rendered against the Hospital and accordingly no provision has been made in the financial statements.

### (b) Employment matters:

The Hospital is also involved in employee related grievances and litigation matters, which the outcome is not determinable at this time. Any liability or payments resulting from these matters will be recognized in the year when the outcome is reasonably determinable and the amounts involved can be estimated.

### (c) Healthcare Insurance Reciprocal of Canada:

A group of hospitals, including the Pembroke Regional Hospital Inc., have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No such assessments have been made to March 31, 2024.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivables from HIROC as of March 31, 2024.

## 17. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the current year financial statements.