
Financial statements of



March 31, 2025



KPMG LLP
22 Wilson Street, West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Perth and Smiths Falls District Hospital

Opinion

We have audited the financial statements of Perth and Smiths Falls District Hospital (the "Entity"), which comprise:

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

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, and its results of operations, its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 24, 2025

Perth and Smiths Falls District Hospital

Statement of Financial Position

March 31, 2025

(in thousands of dollars)

	Notes	2025 \$	2024 \$
Assets			
Current assets			
Cash		5,813	–
Accounts receivable	2	7,787	12,629
Prepaid expenses		1,310	1,148
Inventories	3	812	937
		15,722	14,714
Restricted cash	7	1,113	1,713
		16,835	16,427
Capital assets	4	72,651	67,688
		89,486	84,115
Liabilities and net assets			
Current liabilities			
Bank indebtedness	7	–	1,227
Accounts payable and accrued liabilities	6	18,919	19,130
Deferred revenue		773	627
Current portion of long-term debt	7	493	464
Current portion of post-employment benefits	8	217	201
		20,402	21,649
Loan facility	7	9,411	–
		29,813	21,649
Long term debt	7	4,982	5,451
Post employment benefits	8	1,994	1,901
Deferred capital contributions	9	55,952	58,072
Asset retirement obligations	13	349	340
		63,277	65,764
Net deficiency			
Investment in capital assets		2,941	4,855
Unrestricted deficiency		(6,545)	(8,153)
		(3,604)	(3,298)
		89,486	84,115
Commitments and contingencies			
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The accompanying notes are an integral part of these financial statements.

On Behalf of the Board:

Director_____
Director

Perth and Smiths Falls District Hospital

Statement of Operations

For the year ended March 31, 2025

(in thousands of dollars)

	2025	2024
	\$	\$
Revenues		
MOH, Ontario Health, Cancer Care Ontario	72,662	64,952
Other patient services	18,153	14,962
Recoveries and other	3,190	2,980
Amortization of deferred capital contributions - equipment	2,473	1,468
	96,478	84,362
Expenses		
Salaries, wages and benefits	60,452	56,898
Medical staff remuneration	10,266	9,702
Medical and surgical supplies	5,190	4,196
Drugs	1,273	1,203
Other supplies and services	16,027	14,892
Interest	609	110
Amortization of equipment	2,512	1,538
	96,329	88,539
Excess of revenue over expenses (expenses over revenues) before the undernoted	149	(4,177)
Bill 124 arbitration awards	—	2,257
Amortization of deferred contributions - building and improvements	2,200	2,169
Amortization of building and improvements	(2,655)	(2,634)
	(455)	(465)
Excess of expenses over revenues	(306)	(2,385)

Notes

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

Perth and Smiths Falls District Hospital

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2025

(in thousands of dollars)

	Notes	Investment in capital assets \$	Unrestricted \$	2025 \$	2024 \$
Net assets (deficiency), beginning of year		4,855	(8,153)	(3,298)	(913)
Excess of revenues over expenses (expenses over revenues)		(501)	195	(306)	(2,385)
Net change in investment in capital assets	5	(1,413)	1,413	—	—
Net assets (deficiency), end of year		2,941	(6,545)	(3,604)	(3,298)

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

Perth and Smiths Falls District Hospital

Statement of Cash Flows

For the year ended March 31, 2025

(in thousands of dollars)

	Notes	2025 \$	2024 \$
Cash flows from operating activities			
Excess of expenses over revenues		(306)	(2,385)
Changes in non-cash			
Amortization of capital assets	5	5,167	4,173
Loss on disposal of capital assets		7	9
Amortization of deferred capital contributions	9	(4,673)	(3,637)
Loss on disposal of deferred capital contributions		—	(10)
Transfer of deferred capital contributions		(26)	—
Increase in asset retirement obligation	13	9	50
		178	(1,800)
Changes in non-cash working capital balances			
Decrease (increase) in accounts receivable		4,842	(6,871)
Increase in inventories and prepaid expenses		(37)	(329)
Decrease in post-employment benefits		109	12
Increase (decrease) in deferred revenue		146	(7)
Increase (decrease) in accounts payable and accrued liabilities		(211)	2,833
		4,849	(4,362)
Cash flows from capital activities			
Purchase of capital assets		(10,137)	(11,446)
Receipt of deferred capital contributions		2,579	10,366
		(7,558)	(1,080)
Cash flow from financing activities			
Advance on long-term debt		—	6,100
Advance on other debt	7	9,411	—
Repayment of long-term debt	7	(440)	(185)
		8,971	5,915
Increase (decrease) in cash during the year			
		6,440	(1,327)
Cash, beginning of year		486	1,813
Cash, end of year		6,926	486
Cash comprised of:			
Cash		5,813	—
Bank indebtedness		—	(1,227)
Restricted cash		1,113	1,713
		6,926	486

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

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

Nature of operations

Perth and Smiths Falls District Hospital (the "Hospital") is an acute care community Hospital focused on patient-centered care strengthened with the involvement of the Patient Family Advisory Committee, a compassionate health care team, and solid partnerships throughout the region. The Hospital provides high quality of care at two sites, as well as Lanark County Mental Health and Lanark County Support Services, operating in multiple locations serving the residents and their families from the County of Lanark and the United Counties of Leeds and Grenville, and surrounding areas.

The Hospital operates as a public hospital pursuant to The Public Hospitals Act and is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Under the Health Insurance Act and the 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 Ontario Health (the "OH"). The Board of Directors recognizes the Hospital's ongoing dependency on the MOH as the primary funding source for the Hospital's operating activities.

1. Significant accounting policies

Basis of presentation

The financial statements of the Perth and Smiths Falls District Hospital have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 series for government not-for-profit organizations. The more significant accounting policies are summarized as follows:

(a) Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which includes government grants and reimbursements and donations. 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 year in which the related expenses are recognized. Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset.

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. Operating grants are recorded as revenue in the period to which they relate. Unspent operating grants that are subject to MOH or OH claw back are recorded as a liability.

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

(b) Contributed services

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

(c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

1. Significant accounting policies (continued)

(d) Capital assets

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated useful life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalized. Where the Hospital secures a credit facility specific to the development of a capital asset that capitalizes interest to the principal balance of the facility during the asset development period, the Hospital capitalizes the associated interest costs to the cost of the asset until the asset is ready for its intended use. 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. Capital assets are amortization on a straight-line basis as follows:

Land improvements	3 – 25 years
Buildings	10 – 50 years
Equipment	3 – 25 years
Software and license fees	2 – 5 years

Projects in progress are not amortized until the project is available for productive use.

(e) Retirement and post-employment benefits

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

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. These are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 8 years (2024 - 8 years). Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for 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, 2024 disclosed actuarial assets of \$123 billion (2023 - \$112 billion) with accrued pension liabilities of \$113 billion (2023 - \$102 billion), resulting in a surplus of \$10 billion (2023 - \$10 billion). 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.

(f) Use of estimates

The preparation of the financial statements in accordance with Canada public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ from these estimates.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

1. Significant accounting policies (continued)

(g) Financial instruments

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

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 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. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(h) Statement of remeasurement gains and losses

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2025 or 2024.

(i) Asset retirement obligations

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

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

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

2. Accounts receivable

	2025	2024
Perth and Smiths Falls District Hospital Foundation	\$ 3,096	\$ 4,061
Other	1,759	1,386
MOH/ Ontario Health /Cancer Care Ontario	1,469	5,499
Insurers and patients	1,463	1,683
Balance, end of year	\$ 7,787	\$ 12,629

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

3. Inventories

	2025	2024
Medical and surgical	\$ 415	\$ 510
Pharmacy	178	166
Other	124	180
Laboratory	95	81
Balance, end of year	\$ 812	\$ 937

4. Capital assets

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Land	\$ 254	\$ –	\$ 254	\$ 254
Land improvements	1,432	1,215	217	330
Buildings	95,268	48,428	46,840	48,046
Equipment	40,961	31,391	9,570	11,223
Software and license fees	3,466	3,399	67	107
Projects in progress	15,703	–	15,703	7,728
	\$ 157,084	\$ 84,433	\$ 72,651	\$ 67,688

Cost and accumulated amortization of capital assets at March 31, 2024 amounted to \$147,030 and \$79,342 respectively. As at March 31, 2025, interest expense of \$4 (2024 – nil) has been capitalized in Projects in progress.

5. Capital disclosures

- (a) The Hospital defines capital as unrestricted net assets and investment in capital assets. The Hospital's objective with respect to capital is to fund ongoing operations, capital asset acquisitions and future projects.

The Hospital's overall strategy with respect to capital remains unchanged from the year ended March 31, 2024. The Hospital is not subject to externally imposed capital requirements.

- (b) Investment in capital assets is calculated as follows:

	2025	2024
Capital assets	\$ 72,651	\$ 67,688
Less: amounts financed by deferred capital contributions	(54,824)	(56,918)
Less: amounts financed by long-term debt	(5,475)	(5,915)
Less: amounts financed by other debt	(9,411)	–
Balance, end of year	\$ 2,941	\$ 4,855

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

5. Capital disclosures (continued)

(c) Net change in investment in capital assets is calculated as follows:

	2025	2024
Excess of expenses over revenue		
Amortization of capital assets	\$ (5,167)	\$ (4,173)
Loss on disposal of capital assets	(7)	(9)
Amortization of deferred capital contributions	4,673	3,637
Loss on disposal of deferred capital contributions	—	10
	\$ (501)	\$ (535)

	2025	2024
Net change in investments in capital assets:		
Purchase of capital assets	\$ 10,137	\$ 11,446
Amounts funded by deferred capital contributions	(2,579)	(9,645)
Amounts funded by debt	(9,411)	(6,100)
Repayments of long-term debt	440	185
	\$ (1,413)	\$ (4,114)

6. Accounts payable and accrued liabilities

	2025	2024
Other accounts payable and accrued liabilities	\$ 7,971	\$ 6,109
Payroll liabilities	7,118	6,942
MOH/OH Cancer Care Ontario	3,799	6,042
Funds held in trust	31	37
Balance, end of year	\$ 18,919	\$ 19,130

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

7. Cash (bank indebtedness) and long-term debt

(a) Cash and restricted cash

Restricted cash is comprised of funds retained for the purpose of future capital projects and infrastructure renewal. These funds are externally restricted to be used for the purpose intended by the contributor of the funds.

Included in restricted cash is \$674 (2024 - \$1,246) related to Health Infrastructure Renewal funding relating to invoices payable at March 31, 2025.

Restricted cash also includes funds received for the future capital projects of \$408 (2024 - \$430) as well as funds held in trust by Lanark County Support Services on behalf of various clients, totaling \$31 (2024 - \$37). The use of the funds held in trust and all transactions are independent of Hospital operations.

	2025	2024
Cash (bank indebtedness)	\$ 5,813	\$ (1,227)
Restricted cash	1,113	1,713
Balance, end of year	\$ 6,926	\$ 486

(b) Operating Credit

The Hospital has an operating line of credit to a maximum of \$9,000 with its corporate bankers. At March 31, 2025, the Hospital has \$9,000 in credit facility available (2024 - \$7,773). The operating line of credit is unsecured and bears interest at prime less 1.1%. Interest paid on this credit facility in fiscal 2025 amounted to \$226 (2024 - \$89).

(c) Loan Facility

Effective January 9, 2025 the Hospital entered into two unsecured credit agreements with the Ontario Financing Authority (OFA) to fund a portion of the costs related to the Hospital's Lumeo Regional Health Information System (RHIS) project to replace its core clinical system and Business Information System (BIS) project to replace back office support systems. Each credit agreement includes two separate credit facilities.

The Lumeo RHIS facility one provides for a non-revolving loan up to a maximum of \$13,400. The facility bears interest at a variable rate equal to the ninety-day Ontario Treasury Bill rate plus 3 basis points. Principal and interest must be repaid in full by December 31, 2025. Facility two provides for a fifteen year term loan up to a maximum of \$13,400 plus the amount of any interest owing on facility one at the repayment date. The facility bears interest at a fixed rate equal to the Province of Ontario's cost of funds for a fifteen year amortizing bond, inclusive of fees and commissions, plus 3 basis points, calculated as of the date of advance. Principal and interest are repayable in equal semi-annual instalments. At March 31, 2025 the balance of facility one was \$9,411, including accrued interest of \$4 and facility two was nil.

The BIS facility one provides for a non-revolving loan up to a maximum of \$2,000. The facility bears interest at a variable rate equal to the ninety-day Ontario Treasury Bill rate plus 3 basis points. Principal and interest must be repaid in full by December 31, 2027. Facility two provides for a thirteen year term loan up to a maximum of \$2,000 plus the amount of any interest owing on facility one at the repayment date. The facility bears interest at a fixed rate equal to the Province of Ontario's cost of funds for a thirteen year amortizing bond, inclusive of fees and commissions, plus 3 basis points, calculated as of the date of advance. Principal and interest are repayable in equal semi-annual instalments. At March 31, 2025 the balance of both facilities was nil.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

7. Cash (bank indebtedness) and long-term debt (continued)

(d) Long-term Debt

The hospital has the following long-term debt:

	2025	2024
MRI fixed rate term loan (6.31%), repayable in blended monthly payments of \$68, due November 2026	\$ 5,475	\$ 5,915
Less: current portion of long term debt	493	464
Balance, end of year	\$ 4,982	\$ 5,451

The Hospital is committed to the principal repayment on long-term debt over the next two years approximately as follows:

2026	\$ 493
2027	4,982

Interest paid on long-term debt for fiscal 2025 amounted to \$383 (2024 – \$158).

8. Post-Employment benefits

(a) Pension plan

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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$3,559 (2024 - \$3,196) and are recorded in the Statement of Operations. Pension expense is based on the 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 that the Plan is fully funded at 111%.

(b) Non-Pension plans

The Hospital provides extended health care, dental and life insurance benefits to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2025.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

8. Post-Employment benefits (continued)

(b) Non-Pension plans (continued)

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

Discount rate	3.89% (3.95% in 2024)
Inflation	2.25% (2.25% in 2024)
Dental benefits escalation	2.75% (2.75% in 2024)
Healthcare benefits escalation	4.25% (4.25% in 2024)

The Hospital provides extended health care, dental and life insurance benefits to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2024.

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

Discount rate	3.89% (3.95% in 2024)
Inflation	2.25% (2.25% in 2024)
Dental benefits escalation	2.75% (2.75% in 2024)
Healthcare benefits escalation	4.25% (4.25% in 2024)

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

	2025	2024
Accrued benefit obligation, beginning of the year	\$ 2,362	\$ 1,968
Current service cost	147	89
Benefits paid	(156)	(139)
Interest	92	77
Actuarial (gain) loss	(120)	367
Accrued benefit obligation, end of year	\$ 2,325	\$ 2,362

The expense for the year related to these plans is \$264 (2024 - \$151).

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

	2025	2024
Accrued benefit obligation	\$ 2,325	\$ 2,362
Unamortized actuarial gain	(114)	(260)
Accrued benefit liability	2,211	2,102
Less: current portion of benefit liability	217	201
Long-term portion of post-employment benefits	\$1,994	\$ 1,901

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions, grants and donations utilized for additions to capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2025	2024
Balance, beginning of year	\$ 58,072	\$ 51,353
Add: contributions received	2,579	10,366
Less: amounts amortized to revenue	(4,673)	(3,637)
Less: loss on disposal of deferred capital contributions	—	(10)
Less: transfer of unspent deferred capital contributions	(26)	—
Balance, end of year	\$ 55,952	\$ 58,072

The balance of deferred contributions for capital assets consists of the following:

	2025	2024
Unamortized contributions used to purchase capital assets	\$ 54,824	\$ 56,918
Unspent contributions	1,128	1,154
Balance, end of year	\$ 55,952	\$ 58,072

10. Operating lease

The Hospital has various operating leases and service agreements with future minimum payments. The Hospital has committed to leases from third parties over the next five years amounting to \$1,031 plus operating costs.

2026	552
2027	223
2028	214
2029	35
2030	7

11. Related entities

This section addresses disclosure requirements regarding the Hospital's relationships with related entities.

(a) Foundation

The Hospital has an economic interest in the Perth and Smiths Falls District Hospital Foundation (the "Foundation"). The primary purpose of the Foundation is to act as a single fundraiser for the Hospital in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Hospital. The Foundation determines the amount of unrestricted funds that are available for distribution and in collaboration with the Hospital determines how the funds are distributed. The Foundation is incorporated under the Ontario Corporation Act as a not-for-profit organization, without share capital and is a registered charity under the Income Tax Act.

During the year the Foundation provided the Hospital \$1,797 (2024 - \$3,399) to fund capital equipment projects.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

11. Related entities (continued)

(b) Auxiliaries

The Hospital has an economic interest in the Great War Memorial Hospital Auxiliary and the Smiths Falls Community Hospital Auxiliary, (the "Auxiliaries"). The Auxiliaries promote and extend the interests of the Hospital locally. The Hospital does not exercise control or significant influence over the Auxiliaries and consequently these financial statements do not include assets, liabilities and activities of the Auxiliaries. During the year the Auxiliaries provided the Hospital \$18 (2024 - \$9) to fund equipment.

(c) Shared Digital Imaging Infrastructure Program

The Hospital is a member of a group of several Hospitals and independent health facilities that together have formed a shared digital diagnostic imaging repository. The shared repository enables timely access to diagnostic imaging information and services with the goal of improved health status and quality outcomes for patients. Hospitals Diagnostic Imaging Repository System (HDIRS) is an independent, not-for-profit corporation funded by Ontario Health which manages the development, implementation and operation of the shared system.

12. Financial instruments and risk management

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the Hospital.

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

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2025 is \$487 (2024 - \$396).

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. Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. At March 31, 2025, the Hospital's current liabilities exceed its current assets by \$12,978 (2024 - \$5,222).

The Hospital has reported financial deficits in each of the last four years, including the current year, with the Hospital's budget for the year ending March 31, 2026 reflecting a forecasted financial loss. As a result of these losses, the Hospital has incurred a reduction in its working capital and net asset position. Management has identified a number of factors that have contributed to its recurring operating losses, including but not limited to the impact of recent wage settlements, inflationary cost increases and financial pressures resulting from patient volumes and capital commitments.

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

12. Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

The Hospital continues to identify and consider opportunities to address these financial challenges. In the short-term, the Hospital intends to rely on financing through its existing credit facilities, restricted cash and cost savings resulting from efficiency measures.

As a result of its ongoing financial deficits, the Hospital has an increased level of reliance on the Ministry of Health and Ontario Health to assist in meeting its operating and capital requirements at current levels.

13. Asset retirement obligations

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. 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 in accordance with current legislation.

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

	2025	2024
Balance, beginning of year	\$ 340	\$ 290
Add: Inflationary adjustment	9	50
Less: obligations settled during the year	—	—
Balance, end of year	\$ 349	\$ 340

14. Commitments and contingencies

(a) Projects in Progress

The Hospital is currently in the stabilization phase of a major information systems project (referred to as "Lumeo RHIS") replacing its current core clinical system. Costs incurred to date of \$14,083 (2024 - \$5,414) are included in capital assets as projects in progress on the Statement of Financial Position and have been financed using a combination of debt, donations and internal resources.

The project is delivered under a "Governance and Master Services Agreement" led by Kingston Health Sciences Centre in partnership with Providence Care, Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smiths Falls District Hospital, and Quinte Health Care Corporation. Under the agreement, the Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs and on-going operating costs.

At March 31, 2025 the Hospital's outstanding purchase orders related to projects in progress were approximately \$1,094 (2024 - \$999).

Perth and Smiths Falls District Hospital

Notes to the Financial Statements

Year ended March 31, 2025

(in thousands of dollars)

14. Commitments and contingencies (continued)

(b) Liability insurance

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (the "HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other person's reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber.

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.

(c) Contingencies

The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2025, management believes that the Hospital has valid defenses and appropriate insurance coverages 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.

(d) Employment matters

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

15. Bill 124 arbitration award

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 triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. In the prior year, the Hospital paid retroactive wage adjustments to employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amount of salaries, wages and benefits. In the current fiscal year, the Ministry provided the Hospital with ongoing base funding to partially offset the costs of the wage adjustments.

16. Comparative figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.