

Financial Statements of

# **SAULT AREA HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2024



**KPMG LLP**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Sault Area Hospital

***Opinion***

We have audited the financial statements of Sault Area Hospital (the "Hospital"), 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
- the statement of rereasurement gains for the year then ended
- and notes and schedule 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 Hospital as at March 31, 2024 and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***Basis for Opinion***

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

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

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



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

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

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

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

***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 Hospital'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 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Hospital to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 24, 2024

# SAULT AREA HOSPITAL

## Statement of Financial Position

March 31, 2024, with comparative information for 2023

(in thousands of Canadian dollars)	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 52,081	\$ 56,184
Accounts receivable (note 3)	8,567	17,471
Inventories	3,018	2,774
Prepaid expenses	2,069	3,525
Current portion of capital funding receivable (note 4)	5,671	5,251
	<u>71,406</u>	<u>85,205</u>
Long-term assets:		
Interest rate swap	1,102	1,132
Capital funding receivable (note 4)	176,965	182,636
	<u>178,067</u>	<u>183,768</u>
Capital assets (note 5)	293,344	287,168
	<u>\$ 542,817</u>	<u>\$ 556,141</u>

## Liabilities, Deferred Capital Contributions and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 68,548	\$ 76,385
Current portion of lease liability (note 8)	208	202
Current portion of long-term obligations (note 9)	8,082	7,399
	<u>76,838</u>	<u>83,986</u>
Deferred capital contributions (note 10)	252,578	255,490
Long-term obligations:		
Lease liability (note 8)	4,487	4,695
Long-term obligations (note 9)	191,014	196,426
Employee future benefits (note 11)	10,616	10,310
	<u>206,117</u>	<u>211,431</u>
Total liabilities	535,533	550,907
Net assets	6,182	4,102
Accumulated remeasurement gains	1,102	1,132
	<u>7,284</u>	<u>5,234</u>
Contingencies (note 14)		
Commitments (note 15)		
	<u>\$ 542,817</u>	<u>\$ 556,141</u>

See accompanying notes to the financial statements.

On behalf of the Board:

  
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Lisa Bell-Murray, Board Chair

Director

  
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Ila Watson, President and CEO

Director

# SAULT AREA HOSPITAL

## Statement of Operations

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

(in thousands of Canadian dollars)	2024	2023
<b>Revenue:</b>		
Ministry of Health:		
Ontario Health North base allocation	\$ 189,042	\$ 167,568
One-time hospital grants	19,603	33,492
Cancer Care Ontario funding	23,997	21,343
	<u>232,642</u>	<u>222,403</u>
<b>Other revenue:</b>		
Patient revenue	11,083	10,920
Differential and co-payment	2,369	1,749
Recoveries and miscellaneous	25,382	22,426
Amortization of deferred capital contributions:		
- equipment	4,226	3,028
- buildings under capital lease	346	343
	<u>276,048</u>	<u>260,869</u>
<b>Expenses:</b>		
Compensation and benefits	169,115	147,597
Supplies and other	42,946	40,986
Drugs and medical gases	28,743	24,954
Medical staff remuneration	19,938	17,129
Medical and surgical supplies	15,980	15,353
Amortization of capital assets - equipment and buildings under capital lease		
	5,828	4,344
Bad debts	443	109
Interest	422	479
Rental and lease of equipment	216	483
	<u>283,631</u>	<u>251,434</u>
(Deficiency) excess of revenue over expenses from Hospital operations	(7,583)	9,435
Interest and amortization of building and service equipment and deferred contributions:		
Recovery of interest and other costs on long-term obligation	15,403	15,769
Interest and other costs on long-term obligation	(15,403)	(15,769)
Amortization of deferred capital contributions	7,914	7,914
Amortization of building and service equipment	(7,956)	(7,956)
(Deficiency) excess of revenue over expenses before undernoted	(7,625)	9,393
Bill 124 funding for retroactive liabilities (note 18)	9,705	-
Bill 124 retroactive liabilities (note 18)	-	(10,684)
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 2,080</b>	<b>\$ (1,291)</b>

See accompanying notes to the financial statements.

# SAULT AREA HOSPITAL

## Statement of Changes in Net Assets

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

(in thousands of Canadian dollars)	2024	2023
Net assets, beginning of year	\$ 4,102	\$ 5,393
Excess (deficiency) of revenue over expenses	2,080	(1,291)
Net assets, end of year	\$ 6,182	\$ 4,102

See accompanying notes to the financial statements.

# SAULT AREA HOSPITAL

## Statement of Cash Flows

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

(in thousands of Canadian dollars)	2024	2023
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 2,080	\$ (1,291)
Items not involving cash:		
Amortization of capital assets	13,784	12,300
Amortization of deferred capital contributions	(12,486)	(11,285)
Loss on disposal of capital assets	1,564	250
	<u>4,942</u>	<u>(26)</u>
Changes in non-cash working capital:		
Accounts receivable	8,904	6
Inventories	(244)	(232)
Prepaid expenses	1,456	2,555
Accounts payable and accrued liabilities	(7,837)	12,563
Accrual for employee future benefits	306	459
	<u>7,527</u>	<u>15,325</u>
Cash flows from capital activities:		
Purchase of capital assets	(21,524)	(25,898)
Receipt of deferred capital contributions	9,574	21,457
	<u>(11,950)</u>	<u>(4,441)</u>
Cash flows from financing activities:		
Additions to long-term obligations	2,687	-
Payment of lease liability	(202)	(213)
Receipt of capital funding receivable	5,251	4,861
Principal payments on long-term obligations	(7,416)	(6,959)
	<u>320</u>	<u>(2,311)</u>
(Decrease) increase in cash	(4,103)	8,573
Cash, beginning of year	56,184	47,611
Cash, end of year	\$ 52,081	\$ 56,184

See accompanying notes to the financial statements.



# SAULT AREA HOSPITAL

## Statement of Remeasurement Gains

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

(in thousands of Canadian dollars)	2024	2023
Remeasurement gains, beginning of year	\$ 1,132	\$ 1,027
Unrealized (losses) gains attributable to: Derivative - interest rate swap	(30)	105
Remeasurement gains, end of year	\$ 1,102	\$ 1,132

See accompanying notes to the financial statements.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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Sault Area Hospital (the "Hospital") was incorporated by amended letters patent under the Ontario Business Corporations Act on April 26, 2003.

The Hospital is principally involved in providing health care services to Sault Ste. Marie and the surrounding area. The Hospital is a registered charity under the Income Tax Act and as a result is exempt from income taxes under section 149 of the Income Tax Act.

## 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 follows the deferral method of accounting for contributions that include donations and government grants.

The Hospital is primarily funded by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "MOH") and Ontario Health North ("OHN").

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. These financial statements reflect arrangements with the MOH with respect to the year ended March 31, 2024.

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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets, including restricted cash, 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 patient and other services is recognized when the performance obligations are settled, when the goods are sold or the service is provided, the amounts can be reasonably estimated and collection is reasonably assured.

### b) Inventories:

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

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### c) Capital assets:

Capital assets are recorded at cost. Assets are amortized on a straight-line basis over their estimated useful lives:

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Building and building improvements	20 – 40 years
Building service equipment	10 – 20 years
Leasehold improvements	20 years
Equipment	3 – 20 years
Computer software	10 – 15 years
Computer equipment	3 – 5 years
Buildings under capital lease	Term of the lease

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Tangible capital assets that are not subject to amortization and received as restricted contributions are recorded at their fair value as a direct increase in net assets at the date of receipt.

Construction in progress is not amortized until construction is complete and the facilities are placed into use.

### d) Capital leases:

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Hospital are accounted for as capital leases. At the inception of the capital lease, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Buildings under capital lease are amortized on the same basis as described above. Payments under operating leases are expensed as incurred.

### e) Contributed services:

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

### f) Related entities:

The notes to financial statements include information of the following entities (note 13):

Sault Area Hospital Foundation  
ONE Health Information Technology Services

The investment in the shared controlled not-for-profit entity, ONE Health Information Technology Services (“ONE HITS”), is accounted for by the modified equity method. The other entity is not consolidated.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### g) Employee future benefits:

The Hospital accrues its obligations for employee 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) on the accrued benefit obligation arise from changes in 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 employee benefit plan is 10.3 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 (the "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. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### h) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation of receivables, inventories; 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 operations in the year in which they are known.

### i) 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 reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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 other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### i) Financial instruments (continued):

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.

### j) Funding adjustments:

The Hospital receives grants from the MOH, OHN and Cancer Care Ontario (“CCO”) for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOH, OHN or CCO is entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

### k) Public private partnership:

The Hospital recognizes the obligations and rights associated with public-private partnership (PPP) arrangements. The Hospital enters into PPP arrangements to acquire, operate and maintain building capital assets. These arrangements involve a private sector entity, or partner, who shares in the risks and rewards associated with the provision of goods or services.

The Hospital recognizes a PPP asset when it has the right to control the use of the underlying asset, and it is expected that future economic benefits or service potential will flow to the Hospital. The PPP asset is initially measured at the Hospital’s cost, which represents fair value at the date of recognition, and subsequently measured at cost less accumulated amortization and any impairment losses.

The Hospital recognizes a PPP liability when it has an obligation to the private sector partner that will be settled by future economic benefits or service potential. The PPP liability is initially measured at the same amount as the related asset, reduced for any consideration previously provided to the private sector partner and subsequently measured at amortized cost using the effective interest method at the discount rate implicit in partnership agreement. Where the implicit contract rate is not determinable, the weighted average cost of capital specific to the public private partnership arrangement, or the private sector partner's cost of capital is used. Payments made are allocated between principal payment on long-term obligations and interest and other costs on long-term obligation.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 2. Change in accounting policies:

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.

On April 1, 2023, the Hospital adopted Canadian public sector accounting standard PS 3160 Public Private Partnerships. This established standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. The Hospital determined that the adoption of this new standard would be applied retrospectively without prior period restatement, for the building asset and related liability where control by the Hospital arose prior to April 1, 2023. The Hospital determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

## 3. Accounts receivable:

	2024	2023
Ontario Health North / Ministry of Health	\$ 2,552	\$ 9,938
Patients and clients	2,434	1,951
Other	1,969	1,901
Cancer Care Ontario	1,217	1,411
ONE HITS	630	1,776
Canada Revenue Agency	232	566
	9,034	17,543
Less: allowance for doubtful accounts	(467)	(72)
	\$ 8,567	\$ 17,471

## 4. Capital funding receivable:

	2024	2023
Capital project funding	\$ 182,636	\$ 187,887
Current portion of capital funding	(5,671)	(5,251)
	\$ 176,965	\$ 182,636

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 4. Capital funding receivable (continued):

The Hospital has recorded a long-term receivable relating to funding from the MOH for construction of the new Sault Area Hospital facility. The MOH has committed to fund the principal repayments relating to the construction obligation, which amounted to \$182,636 at March 31, 2024 (2023 - \$187,887). The funding receivable is recorded at the net present value of MOH grants to be received monthly, with the last monthly grant to be received in October 2040. The net present value is calculated using the effective interest rate method and a discount rate of 7.74%, which is the rate used for the related long-term obligation. Information concerning the long-term obligation relating to the Sault Area Hospital facility is included in note 9.

## 5. Capital assets:

2024	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,901	\$ –	\$ 1,901
Building	317,865	103,777	214,088
Building improvements	7,098	76	7,022
Building service equipment	31	31	–
Building under capital lease	5,110	415	4,695
Leasehold improvements	18,998	475	18,523
Equipment	81,700	53,035	28,665
Computer software	25,099	6,889	18,210
Computer equipment	2,991	2,991	–
Construction in progress	240	–	240
	\$ 461,033	\$ 167,689	\$ 293,344

2023	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,901	\$ –	\$ 1,901
Building	317,865	95,765	222,100
Building improvements	308	19	289
Building service equipment	31	31	–
Building under capital lease	5,110	212	4,898
Equipment	72,935	50,821	22,114
Computer software	22,493	5,253	17,240
Computer equipment	3,030	3,030	–
Construction in progress	18,626	–	18,626
	\$ 442,299	\$ 155,131	\$ 287,168

During the year, capital assets were acquired at an aggregate cost of \$21,524 (2023 - \$31,008) of which \$nil (2023 – \$5,110) were acquired by means of a capital lease.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2024	2023
Accrued liabilities	\$ 27,026	\$ 20,070
Due to Ontario Health North / Ministry of Health	19,615	27,282
Salaries and deductions payable	10,349	17,476
Accrued vacation and sick time payable	9,419	8,192
Trade payables	2,139	3,365
	<u>\$ 68,548</u>	<u>\$ 76,385</u>

Included in salary and deductions payable are \$1,902 (2023 - \$1,593) relating to government remittances.

## 7. Operating credit facilities:

The operating credit facilities are authorized to a maximum of \$30,000 (2023 - \$30,000), are repayable on demand, have interest calculated at bank prime minus 0.85% and are secured by a borrowing resolution. At March 31, 2024, the Hospital had \$30,000 (2023 - \$30,000) available on these credit facilities. The Hospital is in the process of transitioning to a new financial institution, at which point only one facility will remain that will be authorized to a maximum of \$15,000.

## 8. Lease obligation:

The Hospital entered into a 20 year capital lease agreement to obtain use of a rental property with payments due monthly. The Hospital had an initial rent free period of six months. The lease has an interest rate of 3.00%, expiring on August 31, 2041. The annual lease payments are supported by funding from the MOH.



# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 8. Lease obligation (continued):

Future minimum lease payments under the capital lease are due as follows:

	2024
2025	\$ 346
2026	346
2027	346
2028	346
2029	346
Thereafter	4,304
Total minimum lease payments	6,034
Less amounts representing interest at 3.00%	(1,339)
Present value of net minimum capital lease payments	4,695
Current portion of obligations under capital lease	(208)
	\$ 4,487

## 9. Long-term obligations:

	2024	2023
Hospital Obligation, due October 13, 2040, monthly payments of \$1,633 including principal and interest at 7.74% secured by the Hospital Development Agreement	\$ 182,636	\$ 187,887
Term loan, due March 28, 2026, interest at 5.63%, payable \$7 monthly including interest	163	241
Term loan, due August 1, 2028 interest at 5.52%, payable \$7 monthly including interest	313	376
Term loan, due October 30, 2029, interest at 2.63%, payable \$3 monthly including interest	208	239
Term loan, due March 27, 2030 interest at 2.78%, payable \$3 monthly including interest	216	249
Term loan, due May 3, 2030, interest at 4.52%, payable \$3 monthly including interest	196	–
Term loan, due June 15, 2030, interest at 1.69%, payable \$181 monthly including interest (a)	12,894	14,833
Term loan, due March 19, 2034, interest at 5.17%, payable \$26 monthly including interest	2,470	–
	199,096	203,825
Current portion of long-term obligations	(8,082)	(7,399)
	\$ 191,014	\$ 196,426

The term loans and single draw credit facility are secured by a borrowing resolution.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 9. Long-term obligations (continued):

The Hospital has an available \$2,000 term facility which is not drawn upon at March 31, 2024 (2023 - \$2,000). The Hospital can access this facility with multiple draws which are repayable quarterly after each draw over a period of four years. Interest can be at a fixed rate or variable rate at the time of the draw. The facility is secured by a borrowing resolution.

The Hospital also has a revolving, multi-draw credit facility authorized to a maximum of \$17,000 (2023 - \$17,000). Each draw from this facility is repayable five years from the date of the drawdown, has interest as prime minus 0.25% and is secured by a borrowing resolution. At March 31, 2024, six draws (2023 - four draws) were outstanding against this facility totaling \$3,566 (2023 - \$1,105).

(a) The Hospital has entered into an interest rate derivative agreement to manage the volatility of interest rates for the term loan due June 15, 2030. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swap is an asset of \$1,102 (2023 - \$1,132) and has been determined using Level 3 of the fair value hierarchy. The related derivative agreement is in place until the maturity of the debt.

Principal due on the long-term debt is as follows:

2025	\$	8,082
2026		8,586
2027		9,047
2028		9,630
2029		10,212
Thereafter		153,539
	\$	199,096

### Hospital Obligation:

The financial statements reflect an obligation associated with the construction of the hospital which will be fully extinguished in October 2040. On August 7, 2007, the Hospital entered into a Development Accountability Agreement with the MOH to support the implementation of the Sault Area Hospital Project. The funding of the total construction costs and related obligation are shared between the MOH at approximately 90% and the Hospital at approximately 10%. The Hospital paid its full obligation at substantial completion in October 2010 and the MOH's obligation, consisting of principal and interest, is to be paid annually and matures in October 2040. Annual funding from the MOH is conditional upon an appropriation of funds by the Legislature of Ontario in the fiscal year in which the payment becomes due.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 10. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount received for the purchase of capital assets. The changes in the deferred contributions balance are as follows:

	2024	2023
Balance, beginning of year	\$ 255,490	\$ 245,318
Contributions received during the year	9,574	21,457
Less: amounts recognized in revenue	(4,572)	(3,371)
Less: amounts amortized to revenue	(7,914)	(7,914)
Balance, end of year	\$ 252,578	\$ 255,490

## 11. Employee future benefits:

The Hospital provides extended health care, dental and semi-private benefits to certain employees. Information about the Hospital's benefit plan is as follows:

	2024	2023
Employee future benefit liability, beginning of year	\$ 10,310	\$ 9,851
Benefit costs	716	1,047
Benefit contributions	(410)	(588)
Employee future benefit liability, end of year	\$ 10,616	\$ 10,310

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

Discount rate	4.75%
Dental benefits cost escalation	2.75%
Medical benefits costs escalation - extended health care	4.50% - 6.00%

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 11. Employee future benefits (continued):

Included in compensation and benefits on the statement of operations, is an amount of \$306 (2023 - \$459) regarding employee future benefits and is comprised of:

	2024	2023
Current service cost	\$ 578	\$ 646
Interest cost	379	394
Amortization of actuarial losses	(241)	7
	716	1,047
Less: payments made	(410)	(588)
	\$ 306	\$ 459

## 12. Pension plan:

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan. Contributions to the Plan made during the year on behalf of the employees amounted to \$11,319 (2023 - \$9,187) and are included in the statement of operations.

## 13. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest or shared control.

### (a) Sault Area Hospital Foundation

The Hospital has an economic interest in the Sault Area Hospital Foundation. The Foundation was established to solicit funds on behalf of the Hospital. All of the Foundation's net assets must be provided to the Hospital or used for the Hospital's benefit. The Foundation has net assets totaling \$12,375 (2023 - \$10,649) for the benefit of the Hospital.

### (b) ONE Health Information Technology Services

ONE HITS is a shared service organization established for the purposes of providing technology, information systems and related capital implementation and support services to participating hospitals in Northeastern Ontario on a full cost recovery basis. SAH has shared control over ONE HITS, with a 13.96% proportionate share of voting rights and financing requirements. Included in the Hospital's reported balance of accounts receivable and accounts payable at March 31, 2024 are amounts owing from/to ONE HITS of \$630 and \$nil, respectively (2023 - \$1,824 and \$48).

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

## 13. Other entities (continued):

### (b) ONE Health Information Technology Services (continued)

Financial information for ONE HITS for the March 31 fiscal periods reflected herein is as follows:

	2024	2023
<b>Financial position</b>		
Current assets	\$ 19,641	\$ 27,582
Non-current assets	26,951	18,980
<b>Total assets</b>	<b>46,592</b>	<b>46,562</b>
<b>Current liabilities</b>		
Current liabilities	\$ 17,636	\$ 25,088
Non-current liabilities	28,956	21,474
<b>Total liabilities</b>	<b>\$ 46,592</b>	<b>\$ 46,562</b>
<b>Results of operations</b>		
Revenues	\$ 12,019	\$ 6,312
Expenses	12,019	6,312
<b>Excess of revenue over expenses</b>	<b>\$ –</b>	<b>\$ –</b>

## 14. Contingencies:

### (a) Legal matters and litigation:

The Hospital is involved in certain legal matters, litigation and disputes, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

### (b) 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.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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## 14. Contingencies (continued):

### (c) Healthcare Insurance Reciprocal of Canada

On July 1, 1987, a group of health care organizations, (“Subscribers”), formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person’s reciprocal contract 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 years in which they were a subscriber. No such assessments have been made to March 31, 2024.

## 15. Commitments:

### Lifecycle and maintenance costs:

The Hospital signed an agreement with Hospital Infrastructure Partners (Sault), to build, maintain and finance the new Sault Area Hospital facility. Construction commenced in August 2007 with substantial completion on October 13, 2010 at which time the 30-year agreement commenced.

For the term of the agreement, variable monthly payments in excess of \$300 will be paid to cover facility maintenance and various lifecycle costs. A portion of the payments are indexed and escalate as per the agreement.

The MOH has approved an annual grant to fund the lifecycle component of these payments, with funding for the MOH’s share of the facility maintenance costs incorporated into the Hospital’s operating grants.

### Physician Recruitment Program:

The Hospital participated in a physician recruitment program in partnership with the City of Sault Ste. Marie and the Group Health Centre. The net expenditure for the year represents the Hospital’s contribution to administrative costs of this program.

## 16. Other votes and other funding sources:

The Hospital administers a number of independent programs on behalf of the MOH and other agencies. These programs which provide separate and distinct funding for specific mandates and expenditures are limited to the amount of grant provided. Grants are recognized for specified levels of activity and any amounts to be returned to the Ministry are reflected in current liabilities. Expenditures in excess of the grants provided are the responsibility of the Hospital.

# SAULT AREA HOSPITAL

Notes to Financial Statements  
(in thousands of Canadian dollars)

Year ended March 31, 2024

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## 17. 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 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 for doubtful accounts. The maximum exposure to credit risk of the Hospital 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.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2024 is the carrying value of these assets.

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.

## 18. 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 years that were previously capped by legislation. Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amount of compensation and benefits.

The MOH has provided the Hospital with one-time funding to offset a portion of the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024.

## 19. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current period. The changes do not affect the prior year excess of revenue over expenses for the year.

# SAULT AREA HOSPITAL

## Schedule of Operations

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

(in thousands of Canadian dollars)	Hospital Operations	Other Votes	Other Funded	Total 2024	Total 2023
<b>Revenue:</b>					
Ministry of Health:					
Ontario Health North based allocation	\$ 172,770	16,072	200	\$ 189,042	\$ 167,568
One-time hospital grants	19,598	5	-	19,603	33,492
Cancer Care Ontario funding	23,997	-	-	23,997	21,343
	216,365	16,077	200	232,642	222,403
<b>Other revenue:</b>					
Patient revenue	11,083	-	-	11,083	10,920
Differential and co-payment	2,369	-	-	2,369	1,749
Recoveries and miscellaneous	24,493	415	474	25,382	22,426
Amortization of deferred capital contributions:					
- equipment	3,750	476	-	4,226	3,028
- buildings under capital lease	-	346	-	346	343
	258,060	17,314	674	276,048	260,869
<b>Expenses:</b>					
Compensation and benefits	156,549	12,051	515	169,115	147,597
Supplies and other	39,147	3,641	158	42,946	40,986
Drugs and medical gases	28,740	3	-	28,743	24,954
Medical staff remuneration	19,156	782	-	19,938	17,129
Medical and surgical supplies	15,958	21	1	15,980	15,353
Amortization of capital assets - equipment and buildings under capital lease					
	5,121	707	-	5,828	4,344
Bad debts	443	-	-	443	109
Interest	278	144	-	422	479
Rental and lease of equipment	167	49	-	216	483
	265,559	17,398	674	283,631	251,434
<b>Excess (deficiency) of revenue over expenses from Hospital operations</b>					
	(7,499)	(84)	-	(7,583)	9,435
<b>Interest and amortization of building and service equipment and deferred contributions:</b>					
Recovery of interest on long-term obligation	15,403	-	-	15,403	15,769
Interest on long-term obligation	(15,403)	-	-	(15,403)	(15,769)
Amortization of deferred capital contributions	7,914	-	-	7,914	7,914
Amortization of building and service equipment	(7,956)	-	-	(7,956)	(7,956)
<b>Excess (deficiency) of revenue over expenses before undernoted</b>					
	(7,541)	(84)	-	(7,625)	9,393
Bill 124 funding for retroactive liabilities (note 8)	9,705	-	-	9,705	-
Bill 124 retroactive liabilities (note 8)	-	-	-	-	(10,684)
<b>Excess (deficiency) of revenue over expenses</b>					
	\$ 2,164	(84)	-	\$ 2,080	\$ (1,291)