Financial statements of
Headwaters Health Care Centre

March 31, 2025

Deloitte.

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Independent Auditor's Report

To the Board of Directors
of the Headwaters Health Care Centre

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2025

Headwaters Health Care Centre
Statement of financial position
As at March 31, 2025

	Notes	2025 $	2024 $
Assets			
Current assets			
Cash		**15,736,080**	12,504,686
Restricted cash		**41,620**	13,266
Accounts receivable	3 and 12	**5,145,689**	7,158,936
Inventories		**469,502**	542,613
Prepaid expenses		**2,210,002**	1,453,871
		23,602,893	21,673,372
Restricted investments		**105,579**	105,579
Capital assets	4	**66,195,851**	59,902,146
		89,904,323	81,681,097
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**19,664,233**	20,813,307
Capital lease obligation	7	**229,136**	145,236
Deferred revenue		**938,048**	899,076
		20,831,417	21,857,619
Long-term			
Capital lease obligation	7	**398,090**	96,449
Employee future benefits	8	**5,257,100**	5,155,900
Deferred capital contributions	9	**60,594,117**	51,545,750
		87,080,724	78,655,718
Commitments, contingencies and guarantees	14		
Net assets (deficiency)			
Invested in capital assets		**4,974,508**	8,114,713
Endowment fund		**105,579**	105,579
Unrestricted		**(2,256,488)**	(5,194,913)
		2,823,599	3,025,379
		89,904,323	81,681,097

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

On behalf of the Board

___________________________________, Chair

___________________________________, Director

Headwaters Health Care Centre
Statement of operations
Year ended March 31, 2025

	Notes	2025 $	2024 $
Revenue			
Ministry of Health		**84,166,458**	81,195,861
Patient revenue		**8,963,590**	8,412,363
Other sources		**4,439,246**	4,109,006
Other programs	11	**11,106,891**	9,646,861
Amortization of deferred capital contributions - equipment		**2,020,357**	2,038,908
		110,696,542	105,402,999
Expenses			
Salaries and benefits	8 and 13	**59,564,701**	57,679,659
Medical staff remuneration		**9,588,038**	8,091,687
Supplies and other		**17,295,208**	16,838,133
Medical and surgical supplies		**4,700,321**	4,407,203
Drugs		**5,811,440**	5,381,615
Bad debts		**386,324**	13,392
Loss on disposal of capital assets		**370**	15,360
Other programs		**11,014,757**	9,670,078
Amortization - equipment		**2,468,874**	2,486,387
		110,830,033	104,583,514
(Deficiency) excess of revenues over expenses before the undernoted		**(133,491)**	819,485
Other revenue (expenses)			
Amortization of buildings and land improvements			
Deferred capital contributions		**2,446,763**	2,247,771
Amortization		**(2,515,052)**	(2,320,114)
		(68,289)	(72,343)
(Deficiency) excess of revenues over expenses		**(201,780)**	747,142

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

Headwaters Health Care Centre

Statement of changes in net assets

Year ended March 31, 2025

	Invested in capital assets $	Endowment fund $	Unrestricted $	2025 Total $	2024 Total $
Balance, beginning of year	**8,114,713**	**105,579**	**(5,194,913)**	**3,025,379**	2,278,237
(Deficiency) excess of revenues over expenses	**(517,177)**	**—**	**315,397**	**(201,780)**	747,142
Additions to capital assets	**11,360,075**	**—**	**(11,360,075)**	**—**	—
Capital grants and donations	**(13,597,562)**	**—**	**13,597,562**	**—**	—
Capital lease obligations (net)	**(385,541)**	**—**	**385,541**	**—**	—
Balance, end of year	**4,974,508**	**105,579**	**(2,256,488)**	**2,823,599**	3,025,379

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

Headwaters Health Care Centre
Statement of cash flows
Year ended March 31, 2025

	2025	2024
	$	$
Operating activities		
(Deficiency) excess of revenues over expenses	**(201,780)**	747,142
Items not affecting cash		
Recognition of deferred capital contributions	**(4,549,195)**	(4,357,143)
Amortization of capital assets	**4,983,926**	4,806,501
Amortization of capital assets (other programs)	**82,074**	70,464
Loss on disposal of capital assets	**370**	15,360
Employee future benefit expense	**603,200**	440,400
Employee future benefits paid	**(502,000)**	(358,600)
	416,595	1,364,124
Change in non-cash working capital		
Accounts receivable	**2,013,247**	(716,333)
Inventories	**73,111**	173,429
Prepaid expenses	**(756,131)**	287,994
Accounts payable and accrued liabilities	**(1,149,074)**	256,378
Deferred revenue	**38,972**	(406,033)
	636,720	959,559
Capital activity		
Additions to capital assets	**(11,405,793)**	(9,192,620)
Proceeds on disposal of capital assets	**45,718**	—
	(11,360,075)	(9,192,620)
Investing activities		
Redemption of investments	**—**	2,000,000
Decrease in restricted investments	**—**	25,539
	—	2,025,539
Financing activities		
Increase in capital lease obligation	**663,459**	—
Capital lease payments	**(277,918)**	(194,642)
Deferred capital contributions	**13,597,562**	7,962,343
	13,983,103	7,767,701
Increase in cash	**3,259,748**	1,560,179
Cash, beginning of year	**12,517,952**	10,957,773
Cash, end of year	**15,777,700**	12,517,952
Cash consists of:		
Cash	**15,736,080**	12,504,686
Restricted cash	**41,620**	13,266
	15,777,700	12,517,952

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

1. Nature of the Organization

Headwaters Health Care Centre (the "Hospital") was incorporated under the laws of the Province of Ontario as a corporation without share capital and is a Registered Charity under the *Income Tax Act* (Canada). The Hospital provides health care services to the residents of Dufferin County and Caledon regions.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards, using the deferral method of reporting restricted contributions and include the following significant accounting policies:

Revenue recognition

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 ("MOH") and Ontario Health ("OH").

The Hospital has a Service Accountability Agreement ("SAA") with OH that sets out the rights and obligations of the two parties with respect to funding provided to the Hospital from OH. The SAA sets out certain financial and non-financial performance standards and obligations for the Hospital's performance. If the Hospital does not meet its performance standards or obligations, OH has the right to adjust funding received. Funding received in a year may be increased or decreased subsequent to the date of these financial statements. The amount of revenue recognized in these financial statements represents management's best estimates of the funding arrangements with the MOH and OH.

Grants and funding authorized by the MOH and OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, the conditions necessary for recognition. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Grants and funding for which revenue has been earned but not received as at the end of the fiscal year is recorded as accounts receivable. The recognition of revenue associated with MOH and OH grants and funding requires management to make estimates and assumptions based on the best information available at the time of the preparation of these financial statements. Final grants approved are subject to the funders' reconciliation process and could differ from these estimates.

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 incurred or when the requirements to earn the contributions have occurred. Contributions and grants restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from transactions with performance obligations is recognized when the Hospital satisfies the performance obligations. Revenue from transactions without performance obligations is recognized when received or receivable.

2. Significant accounting policies (continued)

Contributed services

The Hospital is dependent on the voluntary services of many individuals. As the fair market values of these services cannot be reasonably estimated, these contributed services are not recognized or disclosed in these financial statements.

Net assets

Invested in capital assets represents the Hospital's capital assets less amounts financed by deferred capital contributions and capital leases.

The endowment fund is subject to externally imposed restrictions stipulating that principal of $105,579 be retained intact. The accumulated investment income is intended to be spent by the Hospital on a restricted basis.

The unrestricted fund represents the accumulated deficiency of revenue over expenses from the ongoing operational activity of the Hospital since its inception, less amounts invested in capital assets and endowment funds.

Financial instruments

The Hospital initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost.

Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Investments	Amortized cost
Restricted investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Obligation under capital leases	Amortized cost

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of acquisition. Expenditures that substantially increase the useful lives of existing capital assets are capitalized. 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 amortized on a straight-line basis using the following rates:

Land improvements	5 to 15 years
Buildings	5 to 40 years
Building service equipment	5 to 40 years
Equipment and software	3 to 20 years

Projects in progress consist of direct construction, development costs and financing costs. Amortization is recorded only when the capital asset is operational for its intended use.

Capital leases are those that transfer substantially all of the benefits and risks of ownership to the Hospital. Capital leases are accounted for as though the asset was purchased and liability incurred. All other items of equipment held on lease are accounted for as operating leases.

2. Significant accounting policies (continued)

Employee future benefits

The Hospital offers non-pension post-employment benefits to most employees, the cost of which is accrued under 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, prorated on service and management's best estimate of retirement ages of employees, and expected future benefit plan costs.

Adjustments arising from plan amendments are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the average remaining service period of the active employees.

The Hospital is also 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 as insufficient information is available to apply defined benefit plan accounting principles.

Asset retirement obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Hospital's capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

(a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a capital asset;

(b) the past transaction or event giving rise to the liability has occurred;

(c) it is expected that future economic benefits will be given up; and

(d) a reasonable estimate of the amount can be made.

Liabilities are recognized by the Hospital in the period in which an obligation arises for statutory, contractual, or legal obligations associated with retirement of capital assets when those obligations result from the acquisition, construction, development, or normal operation of the capital assets. The obligations are measured initially at the Hospital's best estimate of the present value of the estimated future cash flows required to settle the retirement obligation. For capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on the same basis as the related asset, and accretion expense is included in the Statement of operations.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates as additional information becomes available at a future date. Accounts involving significant estimates include revenue recognition, accounts receivable, capital assets, accrued liabilities, employee future benefits, deferred revenues, and amortization.

3. Accounts receivable

	2025	2024
	$	$
Ontario Health and Ministry of Health	**2,215,614**	3,270,596
Insurers and patients	**1,216,285**	912,109
Headwaters Health Care Foundation (Note 12(i))	**571,643**	1,706,840
Other receivables	**1,515,695**	1,506,093
	5,519,237	7,395,638
Less: allowance for doubtful accounts	**(373,548)**	(236,702)
	5,145,689	7,158,936

4. Capital assets

			2025	2024
		Accumulated	**Net book**	Net book
	Cost	**amortization**	**value**	value
	$	**$**	**$**	$
Land	**1,457,180**	**—**	**1,457,180**	1,457,180
Land improvements	**2,453,600**	**1,915,947**	**537,653**	641,741
Buildings	**69,781,249**	**31,580,989**	**38,200,260**	36,953,698
Building service equipment	**8,523,285**	**4,348,183**	**4,175,102**	4,607,968
Equipment and software	**43,999,707**	**30,904,724**	**13,094,983**	11,924,803
Projects in progress	**8,730,673**	**—**	**8,730,673**	4,316,756
	134,945,694	**68,749,843**	**66,195,851**	59,902,146

During the year, the Hospital wrote-off fully amortized capital assets that were no longer in use with an original cost of $963,734 ($2,492,263 in 2024). In addition, capital assets with a net book value of $46,088 ($15,360 in 2024) were replaced and disposed for proceeds of $45,718 ($0 in 2024) for a loss on disposal of assets of $370 ($15,360 in 2024).

5. Credit facilities

The Hospital has available the following credit facilities:

(a) Facility 1 – a revolving credit facility for $6,000,000 to support general operating requirements of the Hospital. This facility bears interest at the bank’s prime rate minus 0.5%. As at March 31, 2025, and March 31, 2024, this facility remains unused.

(b) Facility 2 – letters of credit for $1,000,000. As at March 31, 2025, and March 31, 2024, this facility remains unused.

6. Accounts payable and accrued liabilities

	2025	2024
	$	$
Ontario Health and Ministry of Health	**3,175,643**	3,533,040
Payroll related liabilities	**7,049,775**	6,349,931
Other accounts payable and accrued liabilities	**9,438,815**	10,930,336
	19,664,233	20,813,307

7. Capital lease obligations

The Hospital has undertaken capital leases for certain operating equipment. The effective interest rate of these capital leases ranges from 2.40% to 10.20%.

Future minimum payments under the capital leases are as follows:

	$
2026	229,136
2027	132,692
2028	132,692
2029	132,706
	627,226
Less: amounts representing interest	52,952
Present value of minimum lease payments	574,274
Current portion	229,136
Long-term portion	398,090
	627,226

Interest recorded in the Statement of operations related to the capital lease obligations is $20,476 ($17,746 in 2024).

8. Employee future benefits

The Hospital provides health, dental, accidental death and dismemberment and life insurance benefits to its employees. The Hospital participates in an unfunded benefit plan and accrues its obligations under employee benefit plans and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using the projected benefit method pro-rated on service.

The measurement date for the accrued benefit obligation, as calculated in the Hospital's last actuarial valuation for post-retirement benefits, was performed as at March 31, 2024 and extrapolated to March 31, 2025.

8. Employee future benefits (continued)

	2025 $	2024 $
Accrued benefit obligation, end of year	**4,946,700**	4,688,100
Unamortized actuarial gains	**310,400**	467,800
Accrued benefit liability	**5,257,100**	5,155,900
Net benefits recognized		
Current service cost	**456,200**	362,200
Prior service costs incurred in the year	**—**	60,700
Recognition of unamortized actuarial gains	**—**	(60,700)
Interest cost	**225,100**	187,800
Amortization of actuarial experience gains	**(78,100)**	(109,600)
	603,200	440,400
Accrued benefit liability, beginning of year	**5,155,900**	5,074,100
Expense for the year	**603,200**	440,400
Benefits paid during the year	**(502,000)**	(358,600)
Accrued benefit liability	**5,257,100**	5,155,900

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

	2025	2024
Discount rate (%)	**4.40%**	4.60%
Average remaining service period of active employees to retirement who are expected to receive benefits under the benefit plan (years)	**16**	12
Dental cost trend rate (yearly %)	**5.00%**	5.00%
Medical benefits cost escalation - external health care (yearly %)	**5.97%**	5.97%

9. Deferred capital contributions

	Capital grants $	Capital donations $ (Note 12 (i))	2025 Total $	2024 Total $
Balance, beginning of year	**26,884,255**	**24,661,495**	**51,545,750**	47,940,550
Contributions received	**3,737,870**	**9,859,692**	**13,597,562**	7,962,343
Amounts amortized to revenue	**(1,901,019)**	**(2,648,176)**	**(4,549,195)**	(4,357,143)
Balance, end of year	**28,721,106**	**31,873,011**	**60,594,117**	51,545,750

10. Physician programs

The Hospital has agreements with the MOH for Physician on-call coverage, Pediatrician Alternative Funding, and Laboratory Medicine. Physician Program revenue is reported within the Ministry of Health revenue, and the associated remuneration is reported in Medical staff remuneration on the Statement of operations. The revenue and expenses associated with these agreements are included in the Statement of operations as follows:

	2025	2024
	$	$
Funding from MOH		
Physician on-call coverage	**1,949,199**	1,845,832
Alternative Funding Agreement - Paediatrician Group	**1,758,524**	1,419,426
Hospital Laboratory Medicine Physician Funding Agreement	**101,121**	77,763
	3,808,844	3,343,021
Medical staff remuneration		
Physician on-call coverage	**1,949,199**	1,845,832
Paediatrician Group	**1,753,543**	1,422,815
Hospital Laboratory Medicine Physicians	**747,278**	437,305
	4,450,020	3,705,952
	(641,176)	(362,931)

11. Other programs – revenue

	2025	2024
	$	$
Ambulance	**7,961,374**	8,047,559
Community Paramedics	**824,161**	543,773
Headwaters2Home	**851,520**	205,787
Mental Health Crisis Intervention	**147,792**	58,355
Municipal tax assistance	**8,100**	8,100
Ontario Health Team	**1,036,333**	783,287
Telecheck	**277,611**	—
	11,106,891	9,646,861

12. Related party entities

(i) Headwaters Health Care Foundation

The Hospital has an economic interest in the Foundation. The Foundation was established to raise funds for the use of the Hospital. The Foundation is incorporated under the Canada Hospitals Act and is a Registered Charity under the Income Tax Act (Canada).

The Hospital does not exercise control or significant influence over the Foundation and therefore the net assets and results of operations of the Foundation are not included in the financial statements of the Hospital.

Included in accounts receivable is $571,643 ($1,706,840 in 2024) receivable on the Statement of financial position from the Foundation: $361,373 ($206,381 in 2024) related to operating costs and of $210,270 ($1,500,458 in 2024) for capital donations. These capital donations received during the year are included in deferred capital contributions on the Statement of financial position.

12. Related party entities (continued)

(i) Headwaters Health Care Foundation (continued)

During the year, $9,859,692 ($4,498,835 in 2024) was received and recognized from the Foundation as deferred capital donations on the Statement of financial position and $292,187 ($450,222 in 2024) was recognized as revenue in other sources on the Statement of operations.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

(ii) Headwaters Health Care – Orangeville Auxiliary

The Auxiliary is a volunteer organization and is a Registered Charity under the Income Tax Act (Canada). The Auxiliary undertakes a wide range of fundraising and volunteer activities for the benefit of the Hospital. Amounts raised by the Auxiliary are flowed to the Hospital through the Foundation. The Hospital does not exercise control or significant influence over the Auxiliary and therefore the net assets and results of operations of the Auxiliary are not included in the financial statements of the Hospital.

13. Pension plan

The Hospital is a member of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination, or death, which provide the highest earnings.

The Plan's 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. The most recent actuarial valuation as at December 31, 2024 indicated the plan is 111% funded.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.9% of annualized earnings contributed by employees (9.2% of annualized earnings above the respective year's maximum pensionable earnings), 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 employee's contributions. The employer currently contributes 126% of the employee's contribution.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2024 indicates the plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $4,179,503 ($4,100,725 in 2024) and are included in salaries and benefits expenses in the Statement of operations.

14. Commitments, contingencies and guarantees

(a) The Hospital is party to a Shared Services Alliance Agreement with Collingwood General & Marine Hospital, Georgian Bay General Hospital and Royal Victoria Regional Health Centre ("RVH") for shared access to the Meditech Expanse Health Care Information System. Under the terms of this agreement, the Hospital has contractually committed to remain in alliance and share costs until November 2035. Annual support fees for the upcoming year are estimated at $1,747,000.

14. Commitments, contingencies and guarantees (continued)

(b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and therefore, has an economic interest in HIROC. HIROC is a provider of healthcare liability insurance which provides for the pooling of liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members. Members are also entitled to a refund, should a surplus exist. No negative reassessments have been made to March 31, 2025.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and 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 at HIROC.

(c) In the normal course of business, the Hospital has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The terms of these indemnities are not explicitly defined, and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Hospital from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Hospital has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the Statement of financial position with respect to these agreements.

15. Financial instruments and risk management

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

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable. Accounts receivable are primarily due from MOH and OH, other Municipal sources, and the Foundation. Credit risk is mitigated by the financial solvency of these organizations.

The Hospital is also exposed to credit risk with respect to its accounts receivable in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services. The Hospital assesses this risk on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Hospital expects to collect all accounts receivable within one year except those which have been provided for.

15. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk relates to the potential that the Hospital will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Hospital's inability to liquidate assets in a timely manner and at a reasonable price. The Hospital is exposed to liquidity risk on its accounts payable and accrued liabilities and expects to meet these obligations as they come due through operating funding. There has been a decrease in liquidity risk from the previous year as a result of decreased accounts payable and accrued liabilities.

There have been no significant changes from the previous year in the Hospital's exposure to risks or policies, procedures and methods used to measure risks. The Hospital believes its current sources of liquidity are sufficient to cover its known obligations.

16. Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's financial statement presentation.