

Financial Statements of

**MENNONITE BENEVOLENT
SOCIETY - MENNO HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Members of Mennonite Benevolent Society

Opinion

We have audited the financial statements of Mennonite Benevolent Society - Menno Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets (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, 2024 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.



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Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes the applicable financial reporting framework.

The financial statements are prepared to meet the information needs of the Board of Directors of the Mennonite Benevolent Society. As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect to this matter.

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 accounting standards for not-for-profit organizations, 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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Abbotsford, Canada

May 14, 2024

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Financial Position

March 31, 2024, with comparative information for 2023

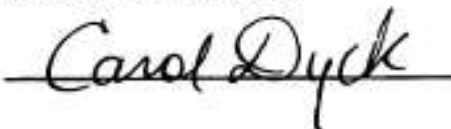
	2024	2023
Assets		
Current assets:		
Cash and term deposits (note 2)	\$ 548,652	\$ 775,657
Restricted cash and term deposits (note 2)	68,616	68,616
Accounts receivable (note 3)	830,514	497,819
Prepaid expenses	46,707	92,833
Inventory	142,070	149,964
	<u>1,636,559</u>	<u>1,584,889</u>
Capital assets (note 4)	1,627,164	1,243,030
	<u>\$ 3,263,723</u>	<u>\$ 2,827,919</u>

Liabilities

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,562,765	\$ 1,034,385
Accrued wages and benefits payable	336,754	579,820
Vacation pay payable	377,552	318,459
Unearned revenue	529,805	1,043,092
Current portion of sick and severance allowance (note 6)	71,108	67,710
	<u>3,877,984</u>	<u>3,043,466</u>
Sick and severance allowance (note 6)	574,412	577,371
Deferred capital contributions (note 7)	1,202,888	1,016,481
	<u>5,655,284</u>	<u>4,637,318</u>
Net assets (deficiency):		
Invested in capital assets (note 8)	649,026	665,299
Internally restricted (note 9)	68,616	68,616
Unrestricted	<u>(3,109,203)</u>	<u>(2,543,314)</u>
	<u>(2,391,561)</u>	<u>(1,809,399)</u>
Related party transactions (note 10)		
Contingencies (note 13)		
	<u>\$ 3,263,723</u>	<u>\$ 2,827,919</u>

See accompanying notes to financial statements.

On behalf of the Board:





MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Operations

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

	2024	2023
Revenue:		
Fraser Health Authority operating grant	\$ 14,367,921	\$ 12,333,446
Resident user charges	2,204,170	2,242,510
Interest and other income	52,110	85,486
	<u>16,624,201</u>	<u>14,661,442</u>
Expenses:		
Salaries and wages	8,512,062	7,758,439
Contract services	3,313,874	2,757,660
Employee benefits	2,697,621	2,346,623
Medical supplies and services	662,473	671,051
Dietary supplies and services	624,554	612,483
Repairs and maintenance	406,539	350,254
Office and administration	238,851	147,601
Utilities	209,865	236,063
Rent (note 10)	173,000	173,000
Housekeeping supplies and services	85,629	81,872
Linen, laundry supplies and services	64,791	77,486
Professional fees	41,154	31,053
Security and miscellaneous	17,463	13,551
Recreation	16,071	20,712
Association membership fees and accreditation	8,618	6,851
	<u>17,072,565</u>	<u>15,284,699</u>
Deficiency of revenue over expenses before the undernoted	(448,364)	(623,257)
Other income (expenses):		
Amortization of deferred contributions	239,876	84,937
Amortization of capital assets	(299,993)	(224,986)
Sick and severance allowance	(79,800)	(75,700)
	<u>(139,917)</u>	<u>(215,749)</u>
Deficiency of revenue over expenses	<u>\$ (588,281)</u>	<u>\$ (839,006)</u>

See accompanying notes to financial statements.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Changes in Net Assets (Deficiency)

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

	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total 2024	Total 2023
Net assets (deficiency), beginning of year	\$ 665,299	\$ 68,616	\$ (2,543,314)	\$ (1,809,399)	\$ (988,125)
Employee future benefits remeasurement (note 6)	-	-	6,119	6,119	17,732
Deficiency of revenue over expenses	(60,117)	-	(528,164)	(588,281)	(839,006)
Change in net assets invested in capital assets	43,844	-	(43,844)	-	-
Net assets (deficiency), end of year	\$ 649,026	\$ 68,616	\$ (3,109,203)	\$ (2,391,561)	\$ (1,809,399)

See accompanying notes to financial statements.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (588,281)	\$ (839,006)
Items not involving cash:		
Amortization of capital assets	299,993	224,986
Sick and severance allowance	79,800	75,700
Amortization of deferred capital contributions	(239,876)	(84,937)
	(448,364)	(623,257)
Changes in non-cash operating working capital:		
Accounts receivable	(332,695)	(301,712)
Prepaid expenses	46,126	(2,316)
Inventory	7,894	(12,190)
Accounts payable and accrued liabilities	1,528,380	(109,194)
Accrued wages and benefits payable	(243,066)	300,664
Vacation pay payable	59,093	(24,964)
Unearned revenue	(513,287)	244,675
Sick and severance allowance payouts	(73,242)	(69,199)
	30,839	(597,493)
Financing:		
Deferred capital contributions received	426,283	563,416
Investing:		
Purchase of capital assets	(684,127)	(411,257)
Decrease in cash and term deposits	(227,005)	(445,334)
Cash and term deposits, beginning of year	844,273	1,289,607
Cash and term deposits, end of year	\$ 617,268	\$ 844,273
Cash and term deposits consists of:		
Cash and term deposits	\$ 548,652	\$ 775,657
Restricted cash and term deposits	68,616	68,616
	\$ 617,268	\$ 844,273

See accompanying notes to financial statements.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements

Year ended March 31, 2024

Nature of operations:

The mission of Menno Place is to reflect God's love by providing facilities and services that express our commitment to excellent resident and family-centred care and enable residents to live with hope and dignity.

Established in 1953, Mennonite Benevolent Society (the "Society") operates Menno Place, a multi-site campus of long-term care, assisted living, and independent living. The Society is incorporated under the Societies Act (British Columbia) and as such, is a not-for-profit organization. The Society is a registered charity under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes under section 149 of the Canadian Income Tax Act.

Menno Hospital (the "Hospital") operates as a separate division of the Society and provides long term care to 151 residents under contract with the Fraser Health Authority ("FHA"). The Hospital is dependent on FHA to provide sufficient funding for operations, and assistance for replacement of basic equipment and renovation projects. In 2022, the Hospital received a renewal of its Accredited Standing with Accreditation Canada, meaning the Hospital meets or exceeds the most rigorous requirements of the accreditation program.

Menno Corporate ("Corporate"), a separate division within the Society has committed to support Hospital for a minimum period of one year from the date of the financial statements in order for Hospital to continue its operations and discharge its financial obligations in the normal course of business. Management believes that the support of Corporate will mitigate the adverse conditions and events that may raise doubt about the validity of the going concern assumption used in preparing these financial statements.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations to meet the information needs of the Board of Directors (the "Board") of the Society and include the following significant accounting policies:

(a) Cash and term deposits:

Cash and term deposits are made up of cash on hand and funds on deposit readily redeemable with maturity dates ranging from ninety days to one year from the time of acquisition.

(b) Inventory:

Inventory, consisting of supplies, is recorded at the lower of cost and replacement cost. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at historical cost, less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Amortization is provided using the declining balance method using the following rates:

Asset	Rate
Building	5%
Major equipment	10%
Minor equipment	10-30%
Computer equipment	25%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Hospital. If such conditions exist, an impairment loss is measured at the amount by which either the full or partial carrying amount of the asset exceeds its residual value.

(d) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which includes government grants and donations.

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 recorded as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related asset.

Revenue from other sources such as resident fees and interest are recognized when earned and collection is reasonably assured.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(e) Sick and severance:

The Hospital has a defined benefit sick and severance plan covering its employees. The benefits are based on years of service and average salary. All remeasurements, defined as actuarial gains or losses arising on remeasuring the accrued benefit obligation, plus the impact of settlements, curtailments and past service costs, are recognized immediately in the fiscal period in which they arise. Remeasurements are recognized directly in net assets in the Statement of Financial Position and not in the Statement of Operations. The recorded liability on the Statement of Financial Position equals the accrued benefit obligation for the benefits.

Ongoing annual expense will include only service cost for the year, with interest applied to the service cost and interest cost equal to interest on the opening accrued benefit obligation.

All measurements are performed at the financial statement date. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2024, and the next required valuation will be as of March 31, 2025.

(f) Employee future benefits:

The Hospital and its employees make contributions to the Municipal Pension Plan (the "Plan") which is a multi-employer jointly trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the Plan are not segregated by entity, the Plan is accounted for as a defined contribution plan and contributions made by the Hospital to the Plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured 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. The Hospital has elected to carry any such financial instruments at fair value.

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.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Hospital determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Cash and term deposits:

	2024	2023
Cash	\$ 204,199	\$ 431,104
Term deposits	413,069	413,169
	\$ 617,268	\$ 844,273

The term deposits bear interest at 1.45% (2023 - 0.05% to 1.02%).

Restricted cash and term deposits are comprised of the following:

	2024	2023
Internally restricted	\$ 68,616	\$ 68,616
Restricted cash and term deposits	68,616	68,616
Unrestricted cash and term deposits	548,652	775,657
	\$ 617,268	\$ 844,273

3. Accounts receivable:

	2024	2023
Fraser Health Authority	\$ 714,878	\$ 264,508
Residents fee receivable	53,698	9,064
Accounts receivable	31,538	172,299
GST receivable	30,400	33,854
Menno Housing, a related party (note 10)	-	9,114
Menno Corporate, a related party (note 10)	-	8,980
	\$ 830,514	\$ 497,819

There are no allowances for doubtful accounts as at March 31, 2024 (2023 - nil).

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 9,283,507	\$ 9,251,013	\$ 32,494	\$ 46,069
Major equipment	3,907,781	2,904,304	1,003,477	631,014
Minor equipment	3,065,344	2,585,647	479,697	520,866
Computer equipment	205,878	94,382	111,496	45,081
	<u>\$ 16,462,510</u>	<u>\$ 14,835,346</u>	<u>\$ 1,627,164</u>	<u>\$ 1,243,030</u>

Certain of the above assets are pledged as security for a mortgage held by Menno Corporate, a related party.

5. Accounts payable and accrued liabilities:

	2024	2023
Fraser Health Authority	\$ 818,481	\$ 124,090
Menno Corporate, a related party (note 10)	457,862	-
Trade payables	425,574	468,578
Menno Housing, a related party (note 10)	394,436	-
Other	195,329	166,062
Government remittances	149,978	146,370
Menno Home, a related party (note 10)	121,105	129,285
	<u>\$ 2,562,765</u>	<u>\$ 1,034,385</u>

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Sick and severance allowance::

The continuity of the Hospital's employee benefit liability, which is equal to the actuarial obligation, is as follows:

	2024	2023
Opening balance	\$ 645,081	\$ 656,312
Pension expense	79,800	75,700
Actuarial (gain) loss	(6,119)	(17,732)
Actual benefits paid	(73,242)	(69,199)
	<u>\$ 645,520</u>	<u>\$ 645,081</u>

The accumulated benefit obligation for sick and severance allowance benefits is as follows:

	2024	2023
Sick leave benefits	\$ 223,502	\$ 214,640
Severance benefits	422,018	430,441
	<u>645,520</u>	<u>645,081</u>
Less: current portion	71,108	67,710
Long-term portion	<u>\$ 574,412</u>	<u>\$ 577,371</u>

The sick and severance allowance liability of \$645,520 (2023 - \$645,081) is unfunded at March 31, 2024.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Deferred capital contributions:

Deferred capital contributions represent both the unamortized value of capital assets donated to Hospital and contributions received for the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in deferred capital contributions for the year are as follows:

	Balance beginning of year	Current contributions received	Amounts amortized in the year	Balance end of year
Building	\$ 12,874	\$ -	\$ 7,625	\$ 5,249
Major equipment	122,083	-	14,343	107,740
Minor equipment	881,524	426,283	217,908	1,089,899
	<u>\$ 1,016,481</u>	<u>\$ 426,283</u>	<u>\$ 239,876</u>	<u>\$ 1,202,888</u>

The deferred capital contribution balance at March 31, 2024 includes unspent contributions for the acquisition of capital assets of \$224,750 (2023 - \$438,750).

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Invested in capital assets:

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

	2024	2023
Capital assets	\$ 1,627,164	\$ 1,243,030
Amounts financed by deferred capital contributions	(978,138)	(577,731)
	\$ 649,026	\$ 665,299

(b) Deficiency of revenue over expenses in capital assets:

	2024	2023
Amortization of deferred capital contributions	\$ 239,876	\$ 84,937
Amortization of capital assets	(299,993)	(224,986)
	\$ (60,117)	\$ (140,049)

(c) Change in net assets invested in capital assets:

	2024	2023
Purchase of capital assets	\$ 684,127	\$ 411,257
Amount funded by deferred capital contributions	(640,283)	(124,666)
	\$ 43,844	\$ 286,591

9. Internally restricted net assets:

The Board has internally restricted \$68,616 (2023 - \$68,616) of the Hospital's net assets for the future building repairs. These internally restricted net assets are not available for other purpose without the approval of the Board.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Related party transactions:

During the year, the Hospital entered into transactions with other divisions within the Society. These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Hospital paid rent for land of \$173,000 (2023 - \$173,000) to Menno Corporate and received a donation of nil (2023 - \$39,234) from Menno Corporate. Additionally, the purchase of supplies and management wages are centralized in the Hospital and Menno Corporate, respectively, and are allocated out to the various divisions within the Society.

11. Disclosure of employee, contractor, and director remuneration:

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Society to employees and contractors whose remuneration was at least \$75,000, and any amounts of remuneration paid by the Society to directors.

For the fiscal year ended March 31, 2024, the Society paid total remuneration of \$23,091,524 (2023 - \$14,138,578) to 234 (2023 - 152) employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Included in remuneration is the cost of salaries and premiums for employment insurance, Canada pension plan, workers compensation, benefits including medical, dental, life insurance, long-term disability and pension.

No remuneration was paid to any members of the Board.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

12. Pension plans:

Menno Hospital and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2021, the plan has about 227,000 active members and approximately 118,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

Menno Hospital paid \$526,174 (2023 - \$449,745) for employer contributions to the plan in fiscal 2024.

The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

13. Contingencies:

In accordance with Hospital's operating agreement with the Fraser Health Authority, the Hospital is required to maintain compliance with certain staffing requirements, known as Hours Per Resident Day ("HPRD"), and compliance is subject to the Fraser Health Authority's formal review. Based on management's assessment, the funding received under HPRD are compliant with the relevant metrics used by the Fraser Health Authority to assess any clawbacks. As the outcome of FHA's reviews are indeterminable, adjustments to funding resulting from the reviews will be recorded in the period the amount becomes known and determinable.

MENNONITE BENEVOLENT SOCIETY - MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2024

14. Financial risks

(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. The Hospital assesses, on a continuous basis, accounts receivable and provides for amounts, if any, that are not collectible in the allowance for doubtful accounts.

(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.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-interest and non-interest bearing financial instruments are subject to changes in fair value, while floating rate financial instruments are subject to fluctuations in cash flows. The Hospital is exposed to cash flow risk as a result of variable interest rates on cash which bear interest at the prime rate plus / minus a margin.

There have been no changes to the risk exposures outlined above from the prior year.