Financial Statements of

ERIE SHORES HEALTHCARE

And Independent Auditor’s Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Directors and Members of Erie Shores HealthCare

Opinion

We have audited the financial statements of Erie Shores HealthCare (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
- and the 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 Hospital as at March 31, 2024, and its results of operations, its changes in net assets, 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 responsibility 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 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Responsibility 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.

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 risk 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, internal 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 purposes 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 the 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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

July 15, 2024

ERIE SHORES HEALTHCARE

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023 (restated - note 22)
Assets		
Current assets:		
Cash	$ 13,145,536	$ 15,259,478
Accounts receivable (notes 3 and 10)	6,112,251	9,631,834
Inventories	264,611	237,171
Prepaid expenses	1,532,095	600,915
	21,054,493	25,729,398
Capital assets (note 4)	21,309,187	19,706,640
	$ 42,363,680	$ 45,436,038
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 16)	$ 9,662,503	$ 12,300,043
Unearned revenue	1,230,719	1,066,229
	10,893,222	13,366,272
Deferred contributions for capital assets (note 5)	18,582,773	19,375,277
Asset retirement obligation (note 6)	1,520,602	1,267,168
Post-employment benefits (note 14)	1,402,900	1,327,200
	32,399,497	35,335,917
Net assets:		
Invested in capital assets (note 13)	1,205,812	(935,805)
Unrestricted	8,758,371	11,035,926
	9,964,183	10,100,121
Commitments and contingencies (note 12)		
	$ 42,363,680	$ 45,436,038

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Chair

ERIE SHORES HEALTHCARE

Statement of Operations

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

	2024	2023 (restated - note 22)
Revenues:		
Ministry of Health (note 7)	$ 54,854,026	$ 56,628,977
Patient services	8,912,612	8,474,061
Cancer Care Ontario	142,008	144,388
Other revenues and recoveries (note 8)	3,679,977	3,518,755
Amortization of deferred capital contributions - equipment (note 5)	1,699,398	1,798,239
	69,288,021	70,564,420
Expenses:		
Salaries and purchased services	31,487,403	27,968,240
Employee benefits	8,189,989	7,096,485
Post-employment benefits (note 14)	75,700	136,320
Medical staff remuneration	12,705,587	14,118,884
Medical and surgical supplies	3,178,231	3,102,269
Drugs and medical gases	939,714	1,030,691
Supplies and other expenses	12,390,282	11,395,552
Amortization of equipment	1,786,190	1,797,458
	70,753,096	66,645,899
Excess (deficiency) of revenues over expenses before undernoted items	(1,465,075)	3,918,521
Other items - one time (note 21)	1,379,444	-
Excess (deficiency) of revenue over expenses for the year per Ministry of Health purposes	(85,631)	3,918,521
Amortization of deferred capital contributions - building (note 5)	951,790	810,059
Amotization of buildings	(1,002,097)	(967,227)
Excess (deficiency) of revenues over expenses	$ (135,938)	$ 3,761,353

See accompanying notes to financial statements

ERIE SHORES HEALTHCARE

Statement of Changes in Net Assets

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

	Invested in Capital assets	Unrestricted	2024 Total	2023 Total (restated - note 22)
Net assets, beginning of year	$ (935,805)	$ 11,035,926	$ 10,100,121	$ 6,338,768
Excess (deficiency) of revenues over expenses	-	(135,938)	(135,938)	3,761,353
Changes in net assets invested in capital assets (note 13)	2,141,617	(2,141,617)	-	-
Net assets, end of year	$ 1,205,812	$ 8,758,371	$ 9,964,183	$ 10,100,121

See accompanying notes to financial statements.

ERIE SHORES HEALTHCARE

Statement of Cash Flows

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

	2024	2023 (restated - note 22)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (135,938)	$ 3,761,353
Items not involving cash:		
Amortization of equipment	1,786,190	1,797,458
Amortization of buildings	1,002,097	967,227
Change in employee future benefit liability	75,700	75,700
Change in asset retirement obligation	253,434	-
Amortization of deferred capital contributions	(2,651,188)	(2,608,298)
Changes in non-cash working capital balances:		
Accounts receivable	3,519,583	(2,012,710)
Inventories	(27,440)	25,070
Prepaid expenses	(931,180)	152,976
Accounts payable and accrued liabilities	(2,637,540)	2,233,953
Unearned revenue	164,490	544,479
	418,208	4,937,208
Capital activities:		
Purchase of capital assets	(4,390,834)	(2,092,423)
Receipt of deferred capital contributions, net	1,858,684	2,443,641
	(2,532,150)	351,218
Increase (decrease) in cash	(2,113,942)	5,288,426
Cash, beginning of year	15,259,478	9,971,052
Cash end of year	$ 13,145,536	$ 15,259,478

See accompanying notes to financial statements.

Erie Shores HealthCare ("Hospital") is incorporated without share capital under the laws of Ontario. The Hospital is a registered charity and as such, is exempt from tax. The Hospital is principally involved in providing health care services to the Municipality of Leamington and Windsor-Essex County.

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:

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "Ministry") and is negotiated jointly between the Hospital and Ontario Health ("OH"). These financial statements reflect agreed funding arrangements approved by OH with respect to the year ending March 31, 2024. Effective April, 2018, the Hospital was designated as a Non-HSFR Small Hospital by the Ministry. 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 a subsequent period.

The amount of any unrestricted contributions to the Hospital are not included in revenues until such time as funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate of the related asset.

In particular, the amount of revenue recognized from OH is a significant estimate. The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") that sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by OH. The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, OH has the right to adjust funding received by the Hospital. OH is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of OH funding received during the year may be increased or decreased subsequent to year end.

The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

Revenue related to patient care and other activities is recognized when the service is provided.

1. Significant accounting policies (continued):

(b) Inventories:

Inventories consist of medical, pharmaceutical and office supplies that are not for sale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

(c) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value is written down to its residual value.

Amortization is provided on a straight-line basis over the estimated useful lives as set out below.

Land	0%
Parking lots	10%
Land for development	0%
Buildings	2% to 5%
Furnishings and equipment	10% to 33 %

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use. Land for development is not amortized until its future use is certain and the land is being utilized to serve the Hospital.

(d) Vacation pay:

Vacation pay is accrued for all employees as entitlement to these payments is earned.

(e) Post-employment benefits:

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, future salary levels, retirement ages of employees, discount rates and other actuarial factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2024.

1. Significant accounting policies (continued):

(e) Post-employment benefits (continued):

Adjustments to costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. The average remaining service period of the active employees is 14 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no pension asset or liability has been recorded in the Hospital's financial statements.

The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's long term cost of borrowing.

(f) Leased equipment:

Equipment leased on terms which transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as capital leases and are therefore accounted for as though an asset had been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases and expensed in the year incurred.

(g) Financial instruments:

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

(i) Fair value:

This category includes cash.

(ii) Amortized cost:

This category includes accounts receivable, accounts payable and accrued liabilities, unearned revenue and post-employment benefits. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

1. Significant accounting policies (continued):

(g) Financial instruments:

(iii) Contributed services:

A substantial number of volunteers contribute a significant amount of time to assist the Hospital in carrying out its activities. The fair market value of these services is not readily determinable and, as such, it is not reflected in these statements.

(h) Related entities:

These financial statements reflect the assets, liabilities and operations of the Hospital. They do not include the assets, liabilities or operations of its auxiliaries.

The Erie Shores HealthCare Auxiliary ("Auxiliary") elects their own officers and formulates their own bylaws. The Hospital has a right to approve such and make changes where necessary.

Erie Shores Health Foundation ("Foundation)" is separately managed and reports to a separate board of Trustees.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Areas of key estimation include determination of useful lives of capital assets, the valuation and estimated timing of asset retirement obligations, revenue from OH/ the Ministry, allowance for doubtful accounts, accrued liabilities, unearned revenue, deferred revenue relating to capital assets, inventory obsolescence, legal settlement/ judgment, and actuarial estimation of post-employment benefits.

(j) Restricted net assets:

The Hospital records certain contributions as restricted funds. Contributions are either externally restricted for specific purposes by the funder, or internally restricted for specific purposes by the Board of Directors.

(k) Asset retirement obligations:

The Hospital recognizes the fair value of an Asset Retirement Obligation ("ARO") when all of the following criteria have been met:

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

1. Significant accounting policies (continued):

(k) Asset retirement obligations (continued):

A liability for the removal of asbestos-containing materials in certain Hospital facilities has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the financial statements is recognized in the Statement of Operations at the time of remediation occurs.

(l) 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 for this new standard did not have an impact on the amounts presented in the financial statements.

2. Financial instrument classification:

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value shown below.

	Fair value	Amortized cost	2024 Total
Cash	$ 13,145,536	$ –	$ 13,145,536
Accounts receivable	–	6,112,251	6,112,251
Accounts payable and accrued liabilities	–	9,662,503	9,662,503
Unearned revenue	–	1,230,719	1,230,719

	Fair value	Amortized cost	2023 Total
Cash	$ 15,259,478	$ –	$ 15,259,478
Accounts receivable	–	9,631,834	9,631,834
Accounts payable and accrued liabilities	–	12,300,043	12,300,043
Unearned revenue	–	1,030,937	1,030,937

3. Accounts receivable:

		2024		2023 (restated - note 22)
Insurers and patients	$	1,962,654	$	1,303,007
Ministry		1,453,205		7,096,003
Erie Shores Health Foundation		945,471		388,244
HST rebates/ other		1,846,633		940,292
		6,207,963		9,727,546
Less: Allowance for doubtful accounts		95,712		95,712
	$	6,112,251	$	9,631,834

4. Capital assets:

		Cost		Accumulated amortization		2024 Net book value		2023 Net book value
Land	$	8,104	$	–	$	8,104	$	8,104
Parking lots		1,793,440		1,510,481		282,959		243,204
Land for development		742,186		–		742,186		742,186
Buildings		45,478,408		34,828,312		10,650,096		8,909,933
Furnishings and equipment		36,693,725		27,266,317		9,427,408		9,151,519
Construction in progress		198,434		–		198,434		651,694
	$	84,914,297	$	63,605,110	$	21,309,187	$	19,706,640

5. Deferred contributions relating to capital assets:

		2024		2023
Balance, beginning of year	$	19,375,277	$	19,539,934
Additions		1,858,684		2,443,641
Amortization of completed projects - equipment		(1,699,398)		(1,798,239)
Amortization of completed projects - building		(951,790)		(810,059)
Balance, end of year	$	18,582,773	$	19,375,277

6. Asset retirement obligations:

The Hospital has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

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

	2024	2023
Balance, beginning of year	$ 1,267,168	$ 1,267,168
Add: additions to asset retirement obligation	253,434	–
Less: obligations settled during the year	–	–
Balance, end of year	$ 1,520,602	$ 1,267,168

7. Revenues - Ministry/OH:

	2024	2023 (restated - note 22)
MOH global allocation	$ 43,459,551	$ 35,483,510
One time payments	6,073,010	12,501,695
Pandemic funding	–	789,525
Other revenue from the Ministry	5,321,465	7,854,247
	$ 54,854,026	$ 56,628,977

8. Other revenue and recoveries:

	2024	2023
Interest	$ 705,841	$ 394,892
Rent	111,953	134,437
External recoveries	2,641,753	2,654,975
Parking	221,145	311,407
Other	(715)	23,044
	$ 3,679,977	$ 3,518,755

9. Pension plan:

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to $2,281,834 (2023 - $2,055,692) and are included in employee benefits in the statement of operations for the Hospital.

10. Related entities:

(a) The Erie Shores Health Foundation:

The Hospital has an economic interest in the Erie Shores Health Foundation (the "Foundation") as one of the Foundation's mandates is to raise funds to support the Hospital. The Foundation is a tax-exempt entity without share capital incorporated under the laws of Ontario. Donations to the Hospital from the Foundations' boards of directors are required to meet prioritized needs not funded by the traditional sources. The net assets and results from operations of the Foundations are not included in the financial statements of the Hospital.

As at year end, an amount of $945,471 (2023 - $388,244) is recorded as accounts receivable from the Foundation. The Board and management have determined that all amounts will be collected within the next fiscal year and is included in current accounts receivable. During the year, the Hospital accrued its annual allocation of $650,000 (2023 - $560,000) from the Foundation to assist with capital and other initiatives.

	2024	2023
Financial position:		
Total assets	$ 14,108,312	$ 11,694,013
Total liabilities	1,731,936	763,685
Net assets	$ 12,376,376	$ 10,930,328

	2024	2023
Results of operations:		
Total revenue	$ 3,712,700	$ 5,582,687
Total expenses	1,616,652	4,810,116
Total contributions to ESHC	650,000	560,000
Net income for the year	$ 1,446,048	$ 212,571

10. Related entities (continued):

(b) Transform Shared Services Organization:

The Hospital along with Bluewater Health ("BH"), Chatham-Kent Health Alliance ("CKHA"), Hotel-Dieu Grace Healthcare ("HDGH") and Windsor Regional Hospital ("WRH") operates a not-for-profit without share capital under the laws of the Province of Ontario shared service organization called TransForm Shared Service Organization ("TransForm").

TransForm provides information technology and system ("IT/IS") services and regional supply chain management (procurement, logistics and contract management) to the five participating member Hospitals. These services are provided at rates designed to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated between the Hospitals based on the provincial government funding provided to each Hospital as of the most recent fiscal year. In addition, the Hospital contributes toward approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, the Hospital paid $1,202,779 (2023 - $1,163,791) to TransForm based on the funding formula as outlined in the Regular Member Service Agreement for IT/IS services, purchasing and payment processing, and leases. These expenditures are included in supplies and expenses on the statement of operations.

Subsequent to year end, TransForm divested its procurement, payables and payments function to Mohawk Medbuy Corporation, which provides these services to the Hospital.

11. Erie Shores HealthCare Auxiliary:

The Auxiliary is a volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws, the stated purpose of the Auxiliary is to assist the Hospital. For the year ended August 31, 2023, the Auxiliary reported gross revenues of $67,237 and total expenses of $47,762 with a resulting net income of $19,475 (2022 - $25,454, $6,823, and $18,642, respectively). During the year, the Auxiliary did not donate any equipment (2022 - $nil) to the Hospital.

12. Contingencies and commitments:

(a) Contingencies:

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims as at March 31, 2024, management believes the Hospital has valid defences and appropriate insurance in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid after actuarial determination are not sufficient to cover claims, the Hospital will be required to provide an additional premium payment on a proportional basis. Similarly, if HIROC has accumulated an unappropriated surplus, which are the total premiums paid by all subscribers plus investment income, less the obligation for claim reserves, expenses and operating expenses, these surpluses may be paid out to the members on a proportional basis. As at March 31, 2024, no assessments or refund of premiums have been made.

To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers: The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties.

(b) Commitments:

The Hospital has relaunched its diagnostic imaging capital campaign, which is estimated at $30 million. In 2022 the Hospital submitted a Stage 1 and Pre-capital submission to the Ministry. Due to end of life equipment needing urgent replacement, the Hospital has committed $4.5 million of working capital in addition to the $1,367,750 that was invested in previous years. The Hospital is still awaiting approvals. As at March 31, 2024, $514,000 of the $4.5 million remains outstanding.

In 2023 the Hospital committed $6.5 million to purchase a new MRI suite and as at March 31, 2024, $111,793 has been spent.

The Hospital along with the four Hospitals within OH entered into an agreement in 2009 that resulted in the creation of a non-share capital, not-for-profit corporation known as Transform to provide supply chain and IT services to the member hospitals. The Hospital has provided a guarantee to CIBC on behalf of Transform for its line of credit. The line of credit has an authorized maximum of $1,300,000 with the Hospital's share amounting to 7.68% or $99,840. To date nothing has been drawn on this line.

13. Net assets invested in capital assets:

Net assets invested in capital assets is calculated as follows:

	2024	2023
Capital assets - net	$ 21,309,187	$ 19,706,640
Less: amounts funded by:		
Deferred capital contributions	(18,582,773)	(19,375,277)
Asset retirement obligation	(1,520,602)	(1,267,168)
	$ 1,205,812	$ (935,805)

The net change in net assets invested in capital assets is calculated as follows:

	2024	2023
Purchase of capital assets	$ 4,390,834	$ 2,092,423
Amounts funded by deferred capital contributions	(1,858,684)	(2,443,641)
Amortization of capital assets	(2,788,287)	(2,764,685)
Amortization of deferred capital contributions	2,651,188	2,608,298
Increase in asset retirement obligation	(253,434)	-
	$ 2,141,617	$ (507,605)

14. Post-employment benefits:

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed in March 2024.

As at March 31, 2024, the Hospital's post-employment benefits and related expenses are as follows:

	2024	2023
Accrued benefit obligation	$ 1,297,600	$ 1,203,500
Unamortized gains	105,300	123,700
Accrued liability	$ 1,402,900	$ 1,327,200
Current year service cost	$ 98,400	$ 75,400
Interest on accrued benefit obligation	50,600	48,900
Amortized actuarial loss	23,800	12,020
	$ 172,800	$ 136,320

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described in note 9.

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2024	2023
Discount rate	3.95%	4.04%
Dental benefits cost escalation	3.90%	3.80%
Medical benefits cost escalation	3.90%	3.80%

15. Lines of credit:

The Hospital has arranged for various credit facilities to assist with upcoming capital projects. The Hospital has available a $4,000,000 line of credit to assist with operational needs as well as $9,000,000 in three separate credit facilities to assist with various capital additions and the hospital information system project. All lines of credit will carry interest at Royal Bank prime minus 0.5%. The Hospital has not drawn on any of the available credit.

16. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities, are government remittances payable of $1,099,726 (2023 - $706,936) which includes any amounts payable for HST, statutory payroll deductions and premiums for workers' safety insurance board.

17. Capital management:

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the Hospital is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget.

As at March 31, 2024, the Hospital met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

18. Economic dependence:

The Hospital received a significant portion of its total revenue from Ontario Health and the Ministry.

19. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, each of the Hospital's cash accounts are insured up to $100,000 (2023 - $100,000).

Accounts receivable is primarily due from OHIP, the Ministry, the Foundation and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

19. Financial risks (continued):

(a) Credit risk (continued):

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. Included in accounts receivable are amounts aged greater 90 days aggregating to $1,062,709 (2023 - $346,257); these include patient receivables in the amount of $732,225 (2023 - $346,257), the Foundation $330,484 (2023 - $nil) and others $nil (2023 - $nil). All other accounts receivables are current. An impairment allowance is set up based on the Hospital's historical experience regarding collection.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(c) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is not exposed to significant interest rate risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(d) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital always mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash resources. There have been no significant changes to liquidity risk from the previous year.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

As disclosed in note 16, the operating lines of credit remain available to the Hospital.

20. Code Grey:

During the year, TransForm and its member hospitals, including Erie Shores Healthcare, were subject to a ransomware attack. None of the impacted parties paid ransom as a result of the attack.

The Hospital has undertaken a number of measures in response to the attack, including notifying affected patients and employees, reporting the results of it internal analysis to the Ontario Information and Privacy Commissioner, purchasing credit monitoring for all employees and professional staff and restoring its affected systems. The Hospital continues to investigate and address issues arising from the attack.

Management is of the view that costs associated with the attack are recoverable through the Hospital's insurance provider.

21. Bill 124 Retroactive Payments and Funding:

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. On December 29, 2022, the Province of Ontario appealed the Superior Court's decision, but has not sought a stay of decision. This ruling has triggered reopener provisions that require renewed negotiations with labour groups on compensation for the years that were previously capped by the legislation. All union and non-union salaries have been renegotiated back to the start of their moderation period. The total cost to the Hospital was $1,688,501 for prior periods and $3,148,080 in the current year. Funding totalling $4,244,100 has been received to offset these costs.

22. Restatement of prior period figures:

Subsequent to the issuance of the prior year financial statements, Ontario Health provided funding to the Hospital totalling $3,942,000 for bed rate conversions for fiscal 2023. The Hospital has restated the prior year financial statements it include the one-time funding in fiscal 2023. As a result, accounts receivable, Ministry of Health revenues and Excess of revenue over expenses have increased by $3,942,000.