Financial Statements of

ERIE SHORES HEALTHCARE

And Independent Auditor's Report thereon

Year ended March 31, 2023

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, 2023
- 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, 2023, 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

(date)

ERIE SHORES HEALTHCARE

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Assets		
Current assets:		
Cash	$ 15,259,478	$ 9,971,052
Accounts receivable (notes 4 and 11)	5,689,834	7,619,124
Inventories	237,171	262,241
Prepaid expenses	600,915	753,891
	21,787,398	18,606,308
Capital assets (note 5)	19,706,640	20,378,902
	$ 41,494,038	$ 38,985,210
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 17)	$ 12,300,043	$ 10,066,090
Unearned revenue	1,066,229	521,750
	13,366,272	10,587,840
Deferred contributions for capital assets (note 6)	19,375,277	19,539,934
Asset retirement obligation (notes 2 and 7)	1,267,168	1,267,168
Post-employment benefits (note 15)	1,327,200	1,251,500
	35,335,917	32,646,442
Net assets:		
Invested in capital assets (note 14)	(935,805)	(428,200)
Unrestricted	7,093,926	6,766,968
	6,158,121	6,338,768
Commitments and contingencies (note 13)		
	$ 41,494,038	$ 38,985,210

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Chair

ERIE SHORES HEALTHCARE

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 2)
Revenues:		
Ministry of Health (note 8)	$ 52,686,977	$ 56,832,944
Patient services	8,474,061	7,316,845
Cancer Care Ontario	144,388	146,024
Other revenues and recoveries (note 9)	3,518,755	1,423,716
Amortization of deferred capital contributions - equipment (note 6)	1,798,239	1,897,340
	66,622,420	67,616,869
Expenses:		
Salaries and purchased services	27,968,240	24,987,649
Employee benefits	7,096,485	7,656,678
Post-employment benefits (note 15)	136,320	158,400
Medical staff remuneration	14,118,884	13,355,998
Medical and surgical supplies	3,102,269	2,289,026
Drugs and medical gases	1,030,691	872,071
Supplies and other expenses	11,395,552	11,839,127
Amortization of equipment	1,797,458	1,899,087
	66,645,899	63,058,036
Excess (deficiency) of revenues over expenses from operations	(23,479)	4,558,833
Amortization of deferred capital contributions - building (note 6)	810,059	1,121,793
Amotization of buildings	(967,227)	(1,510,706)
Excess (deficiency) of revenues over expenses	$ (180,647)	$ 4,169,920

See accompanying notes to financial statements

ERIE SHORES HEALTHCARE

Statement of Change in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in Capital assets	Unrestricted	2023	2022 (Restated - note 2)
Net assets, beginning of year	$ (428,200)	$ 6,766,968	$ 6,338,768	$ 2,960,834
Adjustment on adoption of asset retirement obligation standard (note 2)	-	-	-	(791,986)
Adjusted net assets, beginning of year	(428,200)	6,766,968	6,338,768	2,168,848
Excess (deficiency) of revenues over expenses	-	(180,647)	(180,647)	4,169,920
Changes in net assets invested in capital assets (note 14)	(507,605)	507,605	-	-
Net assets, end of year	$ (935,805)	$ 7,093,926	$ 6,158,121	$ 6,338,768

See accompanying notes to financial statements.

ERIE SHORES HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022 (Restated - (note 2)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (180,647)	$ 4,169,920
Items not involving cash:		
Amortization of equipment	1,797,458	1,899,087
Amortization of buildings	967,227	1,510,706
Change in employee future benefit liability	75,700	82,800
Amortization of deferred capital contributions	(2,608,298)	(3,019,133)
Changes in non-cash working capital balances:		
Accounts receivable	1,929,290	(888,810)
Inventories	25,070	92,726
Prepaid expenses	152,976	(196,382)
Accounts payable and accrued liabilities	2,233,953	2,149,194
Unearned revenue	544,479	108,802
	4,937,208	5,908,910
Capital activities:		
Purchase of capital assets	(2,092,423)	(1,997,193)
Receipt of deferred capital contributions, net	2,443,641	1,798,411
	351,218	(198,782)
Increase in cash	5,288,426	5,710,128
Cash, beginning of year	9,971,052	4,260,924
Cash end of year	$ 15,259,478	$ 9,971,052

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, 2023. 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.

(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.

1. Significant accounting policies (continued):

(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, 2023.

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.

1. Significant accounting policies (continued):

(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.

(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.

1. Significant accounting policies (continued):

(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.

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.

2. Change in accounting policies:

On April 1, 2021, the Hospital adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain capital assets, such as asbestos removal in buildings owned by the Hospital. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Hospital's asset retirement obligations are applied as of the date of adoption of the standard.

2. Change in accounting policies (continued):

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to facilities owned by the Hospital that contain asbestos. The buildings were originally purchased or constructed between 1968 and 1993, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 50 years, and the estimate has not been changed since purchase or construction.

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2021:

- An increase of $1,267,168, to the buildings capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of $791,986 to accumulated amortization, representing fifty years of increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of $1,267,168, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets of $791,986 as a result of the recognition of the liability.

3. 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	2023 Total
Cash	$ 15,259,478	$ –	$ 15,259,478
Accounts receivable	–	5,689,684	5,689,684
Accounts payable and accrued liabilities	–	12,300,043	12,300,043
Unearned revenue	–	1,030,937	1,030,937

	Fair Value	Amortized cost	2022 Total
Cash	$ 9,971,052	$ –	$ 9,971,052
Accounts receivable	–	7,619,124	7,619,124
Accounts payable and accrued liabilities	–	10,066,090	10,066,090
Unearned revenue	–	521,750	521,750

4. Accounts receivable:

	2023	2022
Insurers and patients	$ 1,303,007	$ 924,921
Ministry	3,154,003	5,311,397
Erie Shores Health Foundation	388,244	746,602
HST rebates/ other	940,292	731,916
	5,785,546	7,714,836
Less: Allowance for doubtful accounts	95,712	95,712
	$ 5,689,834	$ 7,619,124

5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated note 2)
Land	$ 8,104	$ –	$ 8,104	$ 8,104
Parking lots	1,734,081	1,490,877	243,204	256,698
Land for development	742,186	–	742,186	742,186
Buildings	42,739,566	33,829,633	8,909,933	8,437,125
Furnishings and equipment	34,635,992	25,484,473	9,151,519	9,976,537
Construction in progress	651,694	–	651,694	958,252
	$ 80,511,623	$ 60,804,983	$ 19,706,640	$ 20,378,902

6. Deferred contributions relating to capital assets:

	2023	2022
Balance, beginning of year	$ 19,539,934	$ 20,760,656
Additions	2,443,641	1,798,411
Amortization of completed projects – equipment	(1,798,239)	(1,897,340)
Amortization of completed projects – building	(810,059)	(1,121,793)
Balance, end of year	$ 19,375,277	$ 19,539,934

7. 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:

	2023	2022 (Restated note 2)
Balance, beginning of year	$ 1,271,168	$ –
Adjustment on adoption of PS 3280 asset retirement obligation standard	–	1,271,168
Opening balance, as restated	1,271,168	1,271,168
Less: obligations settled during the year	–	–
Total obligation at March 31	1,271,168	1,271,168
Less: current portion reported in accounts payable and accrued liabilities	–	–
Balance, end of year	$ 1,271,168	$ 1,271,168

8. Revenues - Ministry /OH:

	2023	2022
MOH global allocation	$ 35,483,510	$ 34,774,667
One time payments	8,559,695	7,296,699
Pandemic funding	789,525	7,218,806
Other revenue from the Ministry	7,854,247	7,542,772
	$ 52,686,977	$ 56,832,944

In connection with the ongoing coronavirus pandemic (“COVID-19”), the Ministry has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. The Ministry has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

9. Other revenue and recoveries:

	2023	2022
Interest	$ 394,892	$ 15,381
Rent	134,437	106,526
External recoveries	1,787,971	835,927
Parking	311,407	274,153
Other	890,048	191,729
	$ 3,518,755	$ 1,423,716

10. 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 $2,055,692 (2022 - $1,809,145) and are included in employee benefits in the statement of operations for the Hospital.

11. 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 $388,244 (2022 - $925,265) 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 received donations in cash of $560,000 (2022 - $2,291,266) from the Foundation to assist with capital and other initiatives.

	2023	2022
Financial position:		
Total assets	$ 11,494,140	$ 12,382,669
Total liabilities	572,595	1,673,696
Net assets	$ 9,921,545	$ 10,708,973

	2023	2022
Results of operations:		
Total revenue	$ 5,582,687	$ 2,018,959
Total expenses	4,810,116	1,327,608
Total contributions to ESHC	560,000	804,977
Net income (loss) for the year	$ 212,571	$ (113,626)

(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.

11. Related entities (continued):

(b) Transform Shared Services Organization (continued):

During the year, the Hospital paid $1,163,791 (2022 - $1,131,038) 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.

12. 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. Due to the Covid-19 pandemic and closure of the gift shop, for the year ended August 31, 2022, the Auxiliary reported gross revenues of $25,454 and total expenses of $6,823 with a resulting net income of $18,642 (2021 - $nil, $nil, and $nil, respectively). During the year, the Auxiliary did not donate any equipment (2021 - $nil) to the Hospital.

13. 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, 2023, 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, 2023, 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.

13. Contingencies and commitments:

(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, while awaiting Ministry feedback.

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.

The five member hospitals of TransForm have also provided a guarantee with respect to equipment that has been leased for TransForm’s regional data centre. This guarantee from the respective hospitals limits the amount not to exceed the outstanding lease payments and is capped at the amount outstanding at the time of default. The guarantee limit is pro-rationally dispersed amongst the TransForm member hospitals based upon the funding formula outlined in their Regular Member Service Agreement. For the Hospital, this represents $6,426 or 10.045% of the lease obligation outstanding as at March 31, 2023.

14. Net assets invested in capital assets:

Net assets invested in capital assets is calculated as follows:

	2023	2022
		(Restated note 2)
Capital assets – net	$ 19,706,640	$ 20,378,902
Less: amounts funded by:		
Deferred capital contributions	(19,375,277)	(19,539,934)
Asset retirement obligation	(1,267,168)	(1,267,168)
	$ (935,805)	$ (428,200)

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

	2023	2022
Purchase of capital assets	$ 2,092,423	$ 1,997,193
Amounts funded by deferred capital contributions	(2,443,641)	(1,798,411)
Amortization of capital assets	(2,764,685)	(3,388,194)
Amortization of deferred capital contributions	2,608,298	3,019,133
	$ (507,605)	$ (170,279)

15. 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 2023.

As at March 31, 2023, the Hospital's post-employment benefits and related expenses are as follows:

	2023	2022
Accrued benefit obligation	$ 1,203,500	$ 1,220,000
Unamortized gains	123,700	31,500
Accrued liability	$ 1,327,200	$ 1,251,500

	2023	2022
Current year service cost	$ 75,400	$ 80,600
Interest on accrued benefit obligation	48,900	42,500
Amortized actuarial loss	12,020	35,300
	$ 136,320	$ 158,400

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described in note 10.

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:

	2023	2022
Discount rate	4.04%	3.89%
Dental benefits cost escalation	3.80%	3.80%
Medical benefits cost escalation	3.80%	3.80%

16. 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% (currently 6.7%). The Hospital has not drawn on any of the available credit.

17. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities, are government remittances payable of $31,998 (2022 - $58,860) which includes any amounts payable for HST and premiums for workers' safety insurance board.

18. 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, 2023, 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.

19. Economic dependence:

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

20. 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 (2022 - $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.

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 $346,257 (2022 - $338,254); these include patient receivables in the amount of 346,257 (2022 - $266,086), the Foundation $nil (2022 - $62,456) and others $nil (2022 - $9,712). 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.

20. Financial instruments (continued):

(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.