

Financial Statements of

**HÔTEL-DIEU GRACE
HEALTHCARE**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the accompanying financial statements of Hôtel-Dieu Grace 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 remeasurement gains 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 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 responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 (“Note 2”), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. 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.

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

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

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

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

Auditor’s Responsibility 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.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 25, 2023

HÔTEL-DIEU GRACE HEALTHCARE

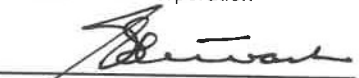
Statement of Financial Position

As at March 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
		As restated - note 2
Assets		
Current assets:		
Cash	\$ 17,517	\$ 14,734
Short-term investments - restricted (note 4)	6,907	4,304
Accounts receivable (note 3)	2,177	3,824
Inventories	355	535
Prepaid expenses and deposits	1,505	1,481
Interest rate swap (note 7)	825	455
	<u>29,286</u>	<u>25,333</u>
Restricted cash and investments (note 4)	32,868	34,624
Capital assets, net (note 5)	209,350	215,099
	<u>\$ 271,504</u>	<u>\$ 275,056</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 40,770	\$ 33,391
Current portion of term loans (note 7)	1,230	1,256
Current portion of capital lease obligations (note 15)	68	163
	<u>42,068</u>	<u>34,810</u>
Long-term liabilities:		
Term loans (note 7)	11,712	12,942
Accrued sick leave liability	2,077	2,179
Capital lease obligations (note 15)	-	68
Asset retirement obligation (note 8)	3,732	3,732
Accrued benefit liability (note 9)	9,744	9,829
Deferred capital contributions (note 10)	165,447	170,810
	<u>234,780</u>	<u>234,370</u>
Net assets:		
Unrestricted	(37,657)	(31,608)
Contributed surplus - Prince Road building (note 21)	6,623	6,623
Invested in capital assets (note 12 (a))	27,158	26,288
Board restricted	37,106	36,621
	<u>33,230</u>	<u>37,924</u>
Accumulated remeasurement gains	3,494	2,762
	<u>36,724</u>	<u>40,686</u>
Commitments and contingencies (notes 14, 16 and 19)		
	<u>\$ 271,504</u>	<u>\$ 275,056</u>

See accompanying notes to financial statements.

On behalf of the Corporation


Member of the Corporation


Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
		As restated - note 2
Revenue:		
Ontario Ministry of Health	\$ 107,752	\$ 105,255
Ontario Ministry of Children, Community and Social Services and Other Ministry	4,732	3,734
Other patient revenue	2,002	1,782
Other revenue and recoveries	4,413	4,948
Grant amortization - equipment	311	506
	<u>119,210</u>	<u>116,225</u>
Expenses:		
Salaries and purchased services	72,679	68,898
Employee benefits	18,433	17,304
Medical staff	3,011	2,835
Medical and surgical supplies	1,326	1,075
Drugs and medical gases	2,110	2,213
Supplies and facilities	22,597	20,921
Amortization of capital assets - equipment	1,903	1,846
	<u>122,059</u>	<u>115,092</u>
Excess (deficiency) of revenue over expenses for the year before undernoted items	(2,849)	1,133
Ontario Ministry of Health pandemic funding (note 17)	565	2,418
Other items - one-time (note 18)	(417)	(1,425)
Excess (deficiency) of revenue over expenses for the year per Ontario Ministry of Health purposes	(2,701)	2,126
Excess (deficiency) of revenue over expenses before building amortization before building amortization and interest	(2,701)	2,126
Interest, net building and land improvements amortization	(1,993)	(2,257)
Deficiency of revenue over expenses for the year	<u>\$ (4,694)</u>	<u>\$ (131)</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

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

(in thousands of dollars)

2023	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
					As restated - note 2
Balance, beginning of year	\$ (31,608)	6,623	26,288	36,621	\$ 37,924
Excess (deficiency) of revenue over expenses for the year (note 12 (b))	(1,320)	-	(3,374)	-	(4,694)
Invested in capital assets (note 12 (b))	(4,244)	-	4,244	-	-
Net transfer to (from) Board restricted from unrestricted	(485)	-	-	485	-
Balance, end of year	\$ (37,657)	6,623	27,158	37,106	\$ 33,230

2022	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year as previously reported	\$ (33,115)	6,623	39,941	27,078	\$ 40,527
Change in accounting policy (note 2)	-	-	(2,472)	-	(2,472)
Excess (deficiency) of revenue over expenses for the year (note 12 (b))	3,328	-	(3,459)	-	(131)
Invested in capital assets (note 12 (b))	(278)	-	(7,722)	8,000	-
Net transfer to (from) Board restricted from unrestricted	(1,543)	-	-	1,543	-
Balance, end of year	\$ (31,608)	6,623	26,288	36,621	\$ 37,924

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

Year ended March 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
		As restated - note 2
Accumulated remeasurement gains, beginning of year	\$ 2,762	\$ 3,517
Unrealized gains (losses) attributable to:		
Long-term investments	362	(1,349)
Interest rate swap	370	594
Accumulated remeasurement gains, end of year	\$ 3,494	\$ 2,762

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
		As restated - note 2
Operating activities:		
Deficiency of revenue over expenses for the year	\$ (4,694)	\$ (131)
Add (deduct) non-cash items:		
Amortization of capital assets	9,830	10,091
Amortization of deferred capital contributions	(6,456)	(6,632)
Loss (gain) on disposal of capital assets	-	(208)
Unrealized gain (loss) on investments and interest rate swap	732	(755)
Change in accrued benefit liability	(85)	(43)
	(673)	2,322
<u>Net change in non-cash working capital balances</u>	<u>9,080</u>	<u>2,832</u>
	8,407	5,154
Investing activities:		
Purchase of capital assets	(4,081)	(2,697)
Proceeds on disposal of capital assets	-	1,087
Deferred capital contributions received	1,093	2,341
	(2,988)	731
Financing activities:		
Proceeds from term loan	-	8,000
Repayment of term loan	(1,256)	(801)
Change in interest rate swap	(370)	(594)
Repayment of capital lease obligations	(163)	(163)
	(1,789)	6,442
Investing activities:		
Net increase in restricted cash and investments	(847)	(8,195)
<u>Net increase (decrease) in cash during the year</u>	<u>2,783</u>	<u>4,132</u>
Cash beginning of year	14,734	10,602
<u>Cash end of year</u>	<u>\$ 17,517</u>	<u>\$ 14,734</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2023
(in thousands of dollars)

Organizational Structure

Hôtel-Dieu Grace Hospital was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1, 2013, the Hospital and Windsor Regional Hospital ("WRH") completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH" or the "Hospital").

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding:

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health as well as the Ministry of Children, Community and Social Services. Both are referred to as "the Ministry". Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Hospital funding is provided through a number of funding streams; including Global Funding, Health Based Allocation Model (HBAM) and Growth and Efficiency Model (GEM). Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. Funding received from the Ministry of Children, Community and Social Services is to be returned if unspent by the end of the fiscal year. Other Vote funding is also to be returned if unspent by the end of the fiscal year. As well, the Ministry's stated policy is that deficits incurred by HDGH will not be funded.

(b) Inventory:

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(c) Revenue recognition:

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Revenue from the Ministry, preferred accommodations, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

A full year's amortization is recorded in the year of acquisition. In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay:

Vacation pay entitlements are charged to income on an accrual basis, with the exception of nonunion staff who are paid as the time is taken.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(g) Defined benefit multi-employer pension plan:

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

(h) Accrued post employment benefits:

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 16.3 years.

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

Curtailment gains or losses are immediately recognized as either a reduction or increase to employee future benefit expense.

(i) Asset retirement obligations:

HDGH 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 tangible 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 HDGH 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 consolidated financial statements are recognized in the Statement of Operations at the time of remediation occurs.

(j) Contributed services:

Volunteers contribute numerous hours to assist HDGH in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities and certain other accrued liabilities. Actual results could differ from those estimates.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to their fair value of the assets and liabilities.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(l) Accounting standards issued but not yet adopted:

Section PS 3400, Revenue is effective for fiscal years beginning on or after April 1, 2023, early adoption is permitted. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The Hospital has not yet adopted this standard or determined the effect on the financial statements.

2. Change in accounting policies:

On April 1, 2022, HDGH 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 tangible capital assets, such as asbestos removal in certain HDGH facilities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On April 1, 2021, HDGH recognized an asset retirement obligation relating to facilities owned by HDGH that contain asbestos:

- The Ouellette Building, which was initially acquired in 1938; and
- The Tayfour Building, which was acquired upon realignment in 2013.

Subsequent to the date of initial acquisition, HDGH had undertaken a number of additions and expansions to the facilities.

The ARO liability is measured as of the date of acquisition of the buildings, when the liability was created and is calculated based on current costs without discounting to the date of the initial building acquisition. The buildings have estimated useful lives ranging from 40 to 50 years and the estimate has not been changed since acquisition.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

2. Change in accounting policies (continued):

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

- An increase of \$3,803 to buildings and building service equipment, representing the estimate of the obligation, and an accompanying increase of \$2,472 to accumulated amortization, representing the increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$3,803, representing an estimate of the current obligations.
- A decrease to opening net assets of \$2,472, as a result of the recognition of the liability and accompanying increase in depreciation expense.

In addition to the above, HDGH reflected the following adjustments to the comparative financial information for the year ended March 31, 2022:

- An increase of \$71 to amortization expense.
- An increase of \$71 to deficiency of revenues over expenses for the year.
- An increase of \$71 to accumulated amortization for buildings and building service equipment.
- A decrease of \$71 to net assets.

3. Accounts receivable:

	2023	2022
Ontario Ministry of Health – operating and capital grants	\$ 589	\$ 2,397
Ministry of Children, Community and Social Services	76	15
WRH	23	30
Other	1,679	1,572
	2,367	4,014
Less allowance for doubtful accounts	(190)	(190)
	\$ 2,177	\$ 3,824

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

4. Board restricted net assets:

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

	2023	2022
Board restricted net assets, beginning of year	\$ 38,928	\$ 30,734
Add:		
Interest and realized gains	485	1,543
Unrealized gain (loss) on investments	362	(1,349)
Funds moved to Restricted	-	8,000
Board restricted net assets, end of year	\$ 39,775	\$ 38,928

The Board restricted net assets are comprised of:

	2023	2022
Capital grants	\$ 7,666	\$ 7,566
Unspent capital donations	1	1
Restricted cash reserves	29,439	29,054
Unrealized gain on investments	2,669	2,307
Board restricted net assets, end of year	\$ 39,775	\$ 38,928

The Board restricted net assets include the following investments:

	2023	2022
Cash on deposit and short-term investments	\$ 6,907	\$ 4,304
Provincial, corporate, Government of Canada bonds (yields between 0.88% and 7.28%, maturing between April 5, 2024 to February 15, 2060)	11,887	13,613
Other investments consisting of a professionally managed portfolio of equities	20,828	20,885
Accrued interest	153	126
	\$ 39,775	\$ 38,928

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

5. Capital assets:

2023	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 7,432	\$ 1,080	\$ 6,352
Buildings and building service equipment	313,066	126,669	186,397
Equipment	20,447	12,182	8,265
Construction-in-progress	8,336	—	8,336
	<u>\$ 349,281</u>	<u>\$ 139,931</u>	<u>\$ 209,350</u>
2022	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 7,004	\$ 1,080	\$ 5,924
Buildings and building service equipment	310,560	118,742	191,818
Equipment	19,294	10,279	9,015
Construction-in-progress	8,342	—	8,342
	<u>\$ 345,200</u>	<u>\$ 130,101</u>	<u>\$ 215,099</u>

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,154 (2022 - \$1,107), which include amounts for payroll related matters.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

7. Term loans:

	2023	2022
i) Term loan payable in average quarterly instalments of \$126 commencing July 26, 2021, bearing interest of 2.24% and due July 2034	\$ 6,199	\$ 6,730
ii) Term loan payable in average quarterly instalments of \$186 commencing May 3, 2021, bearing interest of 1.98% and due May 2031	6,743	7,468
	12,942	14,198
Less current portion of term loan payable	(1,230)	(1,256)
	\$ 11,712	\$ 12,942

- i) In 2020, HDGH entered into a term loan agreement for a total of \$7,000 with the Royal Bank of Canada to finance a major building infrastructure project. The final draw was completed on April 27, 2020. Once completed, the projects chosen are projected to generate energy savings. The energy savings will be utilized as the cash flow for the loan repayment over the next 16 years.

HDGH has entered into interest rate derivative agreements to manage the volatility of interest rates. HDGH has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of \$407 (2022 - \$209) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

- ii) In 2021, HDGH entered into a term loan agreement for a total of \$8,000 with the Royal Bank of Canada to finance a Health Information System implementation. The full loan was received in May 3, 2021. The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of \$ 418 (2022 - \$246) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

7. Term loans (continued):

Principal repayments are as follows:

2024	\$	1,230
2025		1,202
2026		1,248
2027		1,291
2028		1,341
Thereafter		6,630
	\$	12,942

8. Asset retirement obligation:

HDGH has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities owned by HDGH. 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
Balance, beginning of year	\$ 3,803	\$ -
Adjustment on adoption of PS 3280 asset retirement obligation standard	-	3,803
Opening balance, as restated	3,803	3,803
Less: obligations settled during the year	-	-
Total obligation at March 31	3,803	3,803
Less: current portion reported in accounts payable and accrued liabilities	71	71
Balance, end of year	\$ 3,732	\$ 3,732

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

9. Accrued benefit liability:

HDGH provides post-employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation was performed at March 31, 2023.

The significant actuarial assumptions adopted in estimating HDGH's accrued benefit obligation are as follows:

	2023	2022
Discount rate	4.04%	3.89%
Dental benefits cost escalation	4.50%	4.77%
Medical benefits cost escalation – extended health care	4.74%	4.31%

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2023 is \$9,744 (2022 - \$9,829) amount is comprised of:

	2023	2022
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 8,088	\$ 8,691
Actuarial losses (gains) during the year	812	(648)
Benefits paid by HDGH during the year	(655)	(650)
Interest	317	282
Current service cost	385	413
Funded balance – deficit, end of year	8,947	8,088
Unamortized actuarial losses	797	1,741
Accrued benefit liability, end of year	\$ 9,744	\$ 9,829

HDGH's net benefit expense is as follows:

	2023	2022
Current service cost	\$ 386	\$ 413
Interest	317	282
Amortization of net actuarial gains	(132)	(88)
	\$ 571	\$ 607

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

10. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2023	2022
Deferred capital contributions, beginning of year	\$ 170,810	\$ 175,101
Add:		
Ministry of Health capital grants received in the year	910	1,800
Hôtel-Dieu Grace Healthcare Foundation donation	183	541
	171,903	177,442
Less:		
Amortization of capital contributions	(6,456)	(6,632)
Deferred capital contributions, end of year	\$ 165,447	\$ 170,810

The balance consists of the following:

	2023	2022
Ministry of Health	\$ 156,505	\$ 161,195
Together in Caring Foundation	6,186	6,566
Hôtel-Dieu Grace Healthcare Foundation donations	994	1,146
Deferred general donations	1,762	1,903
	\$ 165,447	\$ 170,810

11. Hôtel-Dieu Grace Healthcare Foundation:

HDGH established the Hôtel-Dieu Grace Healthcare Foundation ("HDGH Foundation") on December 11, 2015 whose object is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The HDGH Foundation is independent from HDGH but HDGH does have an economic interest in the HDGH Foundation.

In the current year, donations of \$18 were transferred from HDGH to the Foundation. Donations of \$183 were transferred from Foundation to HDGH. As of year-end, HDGH receivable from the HDGH Foundation is \$45.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

12. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 209,350	\$ 215,099
Less amounts financed by:		
Deferred capital contributions	(165,447)	(170,810)
Term loan	(12,942)	(14,198)
Asset retirement obligation – current portion	(71)	(71)
Asset retirement obligation – long-term portion	(3,732)	(3,732)
	\$ 27,158	\$ 26,288

(b) Change in net assets invested in capital assets is calculated as follows:

	2023	2022
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,456	\$ 6,632
Amortization of capital assets	(9,830)	(10,091)
	(3,374)	(3,459)
Invested in capital assets:		
Purchase of capital assets	4,081	2,697
Disposal of capital assets	-	(879)
Amounts funded by capital grants	(910)	(1,800)
HDGH Foundation donation (net)	(183)	(541)
Proceeds of term loan	-	(8,000)
Payments on term loan	1,256	801
	4,244	(7,722)
Initial recognition of ARO liability	-	(2,472)
Net change in investment in capital assets	\$ 870	\$ (13,653)

13. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$5,838 (2022 - \$5,727). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2022 indicates the plan is fully funded.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

14. Operating leases:

Under the terms of the various non-capital equipment leases, HDGH is committed to lease payments aggregating approximately as follows:

2024	\$	487
2025		415
2026		382
2027		371

15. Capital lease obligations:

HDGH has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2024	\$	68
Total lease payments		68
Less: current portion of obligations under capital lease		68
	\$	-

16. Capital commitments:

HDGH has committed to capital expenditures of \$2,657 which will be incurred over the next fiscal year. The expenditures will be funded through both operating funds and capital grants.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

17. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19), the Ministry has established a number of funding programs intended to assist hospitals with incremental operating and capital costs resulting from COVID-19. As part of these funding programs, the Ministry is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

Details of Ministry funding for COVID-19 recognized as revenue are summarized below:

	2023	2022
Nursing retention initiative lump sum pay revenue	\$ 742	\$ 822
Nursing retention initiative lump sum pay expenses	(742)	(822)
Other one-time COVID-19 revenue		839
Temporary hospital bedded capacity funding	1,121	2,077
Temporary hospital bedded capacity expenses	(653)	(765)
Funding for incremental COVID-19 operating expenses	194	1,033
Incremental COVID-19 operating expenses	(583)	(1,022)
Pandemic Prevention & Containment Funding	462	-
Broad-based funding reconciliation for other eligible costs and revenue losses	24	256
	\$ 565	\$ 2,418

18. Other items – one-time:

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

	2023	2022
Ministry of Health one-time revenue	\$ -	\$ 328
Termination accruals	(547)	(1,370)
One-time HIS expenses	-	(383)
One-time other revenue	130	
	\$ (417)	\$ (1,425)

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023

(in thousands of dollars)

19. Contingencies:

(a) Legal matters and litigation:

Due to the nature of its operations, HDGH is periodically subject to lawsuits in which HDGH is named defendant, as well as subject to grievances and claims or potential claims filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations of HDGH.

(b) Healthcare Insurance Reciprocal of Canada

On July 1, 1987, a group of health care organizations, ("Subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person's reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2023.

(c) Employment matters:

During the normal course of business, HDGH is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

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 the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements (continued)

Year ended March 31, 2023
(in thousands of dollars)

20. Transform:

HDGH, along with the other four hospitals within the historical Erie St. Clair LHIN, entered into an agreement in 2013 that resulted in the amalgamation of Consolidated Health Information Services and PROcure into a non-share capital, not for-profit corporation named TransForm.

TransForm is a shared services organization that currently provides Information Technology/Information Systems services and purchasing and payments services at rates designated to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated based on each hospital's proportionate share of resources being utilized. In addition, HDGH contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, HDGH paid \$1,340 (2022 - \$1,287) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$291 (2022 - \$277) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2023 is \$667 (2022 - \$168) and has been included in accounts payable and accrued liabilities.

21. Program re-alignment:

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99-year period for nominal consideration. The long-term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of \$6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for up to 21 years less one day, for nominal consideration. All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

22. Bank indebtedness:

The Hospital has credit facilities which include a revolving demand facility to \$8 Million. The facility bears interest at banker's prime rate less 0.5% (2022 – prime rate less 0.5%). As of March 31, 2023, \$ Nil (2022 - \$Nil) has been withdrawn.

23. Health Ventures Business Trust:

Health Ventures Business Trust is an independent business trust established for the purposes of owning and managing revenue generating initiatives for the benefit of the Hospital. 2644224 Ontario Inc. is an independent corporation established for the purposes of acting as the corporate trustee of the Health Ventures Business Trust. As of March 31, 2023, Health Ventures Business Trust and 2644224 Ontario Inc. have no investments in revenue generating initiatives.

The Hospital has approved a \$200 line of credit to be made available to the Trust, which bears interest at market rates. As of March 31, 2023, \$ 17 (2022 - \$15) has been withdrawn by Health Ventures Business Trust. As of year-end, HDGH receivable from the Trust is at \$ 43 (2022 - \$29).

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2023, with comparative information for 2022
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2023	Total 2022
Revenue:						As restated - note 2
Ontario Ministry of Health	\$ 78,708	10,507	326	18,211	\$ 107,752	\$ 105,255
Ontario Ministry of Children, Community and Social Services and Other Ministry	15	4,634	-	83	4,732	3,734
Other patient revenue	1,969	-	-	33	2,002	1,782
Other revenues and recoveries	4,261	63	-	89	4,413	4,948
Grant amortization	244	44	-	23	311	506
	85,197	15,248	326	18,439	119,210	116,225
Expenses:						
Salaries and purchased services	51,876	8,854	230	11,719	72,679	68,898
Employee benefits	13,126	2,338	32	2,937	18,433	17,304
Medical staff	1,257	-	-	1,754	3,011	2,835
Medical and surgical supplies	1,295	11	-	20	1,326	1,075
Drugs and medical gases	2,102	-	-	8	2,110	2,213
Supplies and facilities	16,395	4,137	64	2,001	22,597	20,921
Amortization of capital assets	1,886	17	-	-	1,903	1,846
	87,937	15,357	326	18,439	122,059	115,092
Excess (deficiency) of revenue over expenses for the year before undernoted items	(2,740)	(109)	-	-	(2,849)	1,133
Ontario Ministry of Health pandemic funding (note 15)	565	-	-	-	565	2,418
Other items (note 16)	(287)	(130)	-	-	(417)	(1,425)
Excess (deficiency) of revenue over expenses for the year per Ministry of Health purposes	(2,462)	(239)	-	-	(2,701)	2,126
Excess (deficiency) of revenue over expenses before building amortization and interest	(2,462)	(239)	-	-	(2,701)	2,126
Interest, net building and land improvements amortization	(1,993)	-	-	-	(1,993)	(2,257)
Deficiency of revenue over expenses for the year	\$ (4,455)	(239)	-	-	\$ (4,694)	\$ (131)