Financial Statements of

HÔTEL-DIEU GRACE HEALTHCARE

And Independent Auditor's Report thereon

Year ended March 31, 2024

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Canada
Telephone 519 251 3500
Fax 519 251 3530

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the financial statements of Hôtel-Dieu Grace 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 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 the notes and schedule 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 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.

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.

KPMG

- 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.
- 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

May 31, 2024

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

As at March 31, 2024, with comparative information for 2023

(in thousands of dollars)

		2024		2023
Assets				
Current assets:				
Cash - unrestricted	$	9,358	$	17,517
Short-term investments - unrestricted		2,521		-
Short-term cash and investments - restricted (note 4)		1,776		6,907
Accounts receivable (note 3)		3,476		2,177
Inventories		274		355
Prepaid expenses and deposits		1,269		1,505
		18,674		28,461
Restricted cash and investments (note 4)		39,127		32,868
Capital assets, net (note 5)		203,213		209,350
Interest rate swap (note 7)		909		825
	$	261,923	$	271,504
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	39,171	$	40,699
Current portion of term loans (note 7)		1,202		1,230
Current portion of capital lease obligations		-		68
		40,373		41,997
Long-term liabilities:				
Term loans (note 7)		10,510		11,712
Accrued sick leave liability		2,171		2,077
Asset retirement obligation (note 8)		4,496		3,803
Accrued benefit liability (note 9)		9,633		9,744
Deferred capital contributions (note 10)		159,985		165,447
		227,168		234,780
Net assets:				
Unrestricted		(40,700)		(37,657)
Contributed surplus - Prince Road building (note 20)		6,623		6,623
Invested in capital assets (note 12)		27,020		27,158
Board restricted		34,777		37,106
		27,720		33,230
Accumulated remeasurement gains		7,035		3,494
		34,755		36,724
Commitments and contingencies (notes 14, 15 and 17)				
	$	261,923	$	271,504

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, 2024, with comparative information for 2023
(in thousands of dollars)

		2024		2023
Revenue:				
Ontario Ministry of Health	$	111,237	$	107,752
Ontario Ministry of Children, Community and Social Services and Other Ministry		6,337		4,732
Other patient revenue		1,656		2,002
Other revenue and recoveries		6,104		4,413
Grant amortization - equipment		309		311
		125,643		119,210
Expenses:				
Salaries and purchased services		79,683		71,227
Employee benefits		19,777		18,147
Medical staff		2,847		3,011
Medical and surgical supplies		1,259		1,326
Drugs and medical gases		2,427		2,110
Supplies and facilities		24,992		22,597
Amortization of capital assets - equipment		1,841		1,903
		132,826		120,321
Deficiency of revenue over expenses for the year before undernoted items		(7,183)		(1,111)
Other items - one-time (note 16)		3,640		(1,590)
Deficiency of revenue over expenses for the year per Ministry of Health purposes		(3,543)		(2,701)
Interest, net building and land improvements amortization		(1,967)		(1,993)
Deficiency of revenue over expenses for the year	$	(5,510)	$	(4,694)

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

2024		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted		Total
Balance, beginning of year	$	(37,657)	6,623	27,158	37,106	$	33,230
Deficiency of revenue over expenses for the year (note 12)		(1,477)	-	(4,033)	-		(5,510)
Invested in capital assets (note 12)		(3,895)	-	3,895	-		-
Net transfer to (from) Board restricted from unrestricted		2,329	-	-	(2,329)		-
Balance, end of year	$	(40,700)	6,623	27,020	34,777	$	27,720

2023		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted		Total
Balance, beginning of year	$	(31,608)	6,623	26,288	36,621	$	37,924
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

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

		2024		2023
Accumulated remeasurement gains, beginning of year	$	3,494	$	2,762
Unrealized gains attributable to:				
Long-term investments		3,457		362
Interest rate swap		84		370
Accumulated remeasurement gains, end of year	$	7,035	$	3,494

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

	2024	2023
Operating activities:		
Deficiency of revenue over expenses for the year	$ (5,510)	$ (4,694)
Add (deduct) non-cash items:		
Amortization of capital assets	9,906	9,830
Amortization of deferred capital contributions	(6,566)	(6,456)
Change in asset retirement obligation	693	-
Loss on disposal of capital assets	107	-
Unrealized gain on investments and interest rate swap	3,541	732
Change in accrued benefit liability	(112)	(85)
	2,059	(673)
Net change in non-cash working capital balances	(2,415)	9,080
	(356)	8,407
Capital activities:		
Purchase of capital assets	(3,876)	(4,081)
Deferred capital contributions received	1,104	1,093
	(2,772)	(2,988)
Financing activities:		
Repayment of term loan	(1,230)	(1,256)
Change in interest rate swap	(84)	(370)
Repayment of capital lease obligations	(68)	(163)
	(1,382)	(1,789)
Investing activities:		
Net increase in restricted cash and investments	(1,128)	(847)
Net increase in unrestricted investments	(2,521)	-
	(3,649)	(847)
Net increase (decrease) in cash during the year	(8,159)	2,783
Cash beginning of year	17,517	14,734
Cash end of year	$ 9,358	$ 17,517

See accompanying notes to financial statements.

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 Ministry of Health (Ontario Health and Children Youth Mental 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 of Health and Ontario Health. 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 and Children Youth Mental Health 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.

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.

Other revenues are recognized when the associated performance obligations are fulfilled.

(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

Construction in progress is not amortized until construction is complete and the facilities come into use.

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.

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.

1. 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.

(l) 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 amortized 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. This includes investments traded on an active market;
- 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. This includes the Hospital's interest rate swap agreement; 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.

(in thousands of dollars)

2. 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 of this new standard did not have an impact on the amounts presented in the financial statements.

3. Accounts receivable:

	2024	2023
Ministry of Health	$ 366	$ 589
Ministry of Children, Community and Social Services	–	76
WRH	18	23
Other	3,472	1,679
	3,856	2,367
Less allowance for doubtful accounts	(380)	(190)
	$ 3,476	$ 2,177

(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:

	2024	2023
Board restricted net assets, beginning of year	$ 39,775	$ 38,928
Add:		
Interest and realized gains	1,694	485
Unrealized gain on investments	3,457	362
Less:		
Funds for capital purchases	(1,502)	–
Funds for loan repayment	(2,521)	–
Board restricted net assets, end of year	$ 40,903	$ 39,775

The Board restricted net assets are comprised of:

	2024	2023
Amounts intended for capital	$ 8,016	$ 7,666
Unspent capital donations	1	1
Restricted cash reserves	26,760	29,439
Unrealized gain on investments	6,126	2,669
Board restricted net assets, end of year	$ 40,903	$ 39,775

The Board restricted net assets include the following investments:

	2024	2023
Cash on deposit and short-term investments	$ 3,400	$ 6,907
Provincial, corporate, Government of Canada bonds (yields between 0.88% and 8.5%, maturing between June 15, 2024 to February 15, 2060)	14,236	11,887
Other investments consisting of a professionally managed portfolio of equities	23,077	20,828
Accrued interest	190	153
	$ 40,903	$ 39,775

(in thousands of dollars)

5. Capital assets:

2024	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 7,432	$ 1,080	$ 6,352
Buildings and building service equipment	315,521	134,735	180,786
Equipment	21,971	13,612	8,359
Construction-in-progress	7,716	–	7,716
	$ 352,640	$ 149,427	$ 203,213

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
	$ 349,281	$ 139,931	$ 209,350

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $1,300 (2023 - $1,154), which include amounts for payroll related matters.

(in thousands of dollars)

7. Term loans:

	2024	2023
i) Term loan payable in average quarterly instalments of $126 commencing July 26, 2021, bearing interest of 2.24% and due July 2034	$ 5,713	$ 6,199
ii) Term loan payable in average quarterly instalments of $186 commencing May 3, 2021, bearing interest of 1.98% and due May 2031	5,999	6,743
	11,712	12,942
Less current portion of term loan payable	(1,202)	(1,230)
	$ 10,510	$ 11,712

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 $478 (2023 - $407) 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 $ 431 (2023 - $418) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

(in thousands of dollars)

7. Term loans (continued):

Principal repayments are as follows:

2025	$ 1,202
2026	1,248
2027	1,291
2028	1,341
2029	1,389
Thereafter	5,241
	$ 11,712

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:

	2024	2023
Balance, beginning of year	$ 3,803	$ 3,803
Add: adjustment for inflation	693	–
Balance, end of year	$ 4,496	$ 3,803

(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 next full valuation of the plan will be as of March 31, 2026.

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

	2024	2023
Discount rate	3.95%	4.04%
Dental benefits cost escalation	5.41%	4.50%
Medical benefits cost escalation – extended health care	4.96%	4.74%

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, 2024 is $9,633 (2023 - $9,744) amount is comprised of:

		2024		2023
Accrued benefit obligation:				
Funded balance – deficit, beginning of year	$	8,947	$	8,088
Actuarial losses (gains) during the year		89		812
Benefits paid by HDGH during the year		(826)		(655)
Interest		362		317
Current service cost		435		385
Plan amendment during the year		48		–
Funded balance – deficit, end of year		9,055		8,947
Unamortized actuarial gains		578		797
Accrued benefit liability, end of year	$	9,633	$	9,744

HDGH's net benefit expense is as follows:

		2024		2023
Current service cost	$	435	$	385
Interest		362		317
Amortization of net actuarial gains		(130)		(132)
	$	667	$	570

(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:

	2024	2023
Deferred capital contributions, beginning of year	$ 165,447	$ 170,810
Add:		
Ministry of Health capital grants received in the year	691	910
Hôtel-Dieu Grace Healthcare Foundation donation	413	183
	166,551	171,903
Less:		
Amortization of capital contributions	(6,566)	(6,456)
Deferred capital contributions, end of year	$ 159,985	$ 165,447

The balance consists of the following:

	2024	2023
Ministry of Health	$ 151,512	$ 156,505
Together in Caring Foundation	5,806	6,186
Hôtel-Dieu Grace Healthcare Foundation donations	1,025	994
Other donations	1,642	1,762
	$ 159,985	$ 165,447

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 $20 were transferred from HDGH to the Foundation. Donations of $413 were transferred from Foundation to HDGH. As of year-end, HDGH receivable from the HDGH Foundation is $118 (2023 - $45).

(in thousands of dollars)

12. Net assets invested in capital assets:

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

	2024	2023
Capital assets	$ 203,213	$ 209,350
Less amounts financed by:		
Deferred capital contributions	(159,985)	(165,447)
Term loan	(11,712)	(12,942)
Asset retirement obligation	(4,496)	(3,803)
	$ 27,020	$ 27,158

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

	2024	2023
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 6,566	$ 6,456
Amortization of capital assets	(9,906)	(9,830)
Adjustment to asset retirement obligation	(693)	–
	(4,033)	(3,374)
Invested in capital assets:		
Purchase of capital assets	3,876	4,081
Disposal of capital assets	(107)	–
Amounts funded by capital grants	(691)	(910)
HDGH Foundation donation	(413)	(183)
Payments on term loan	1,230	1,256
	3,895	4,244
Net change in investment in capital assets	$ (138)	$ 870

13. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to $6,490 (2023 - $5,838). 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, 2023 indicates the plan is fully funded.

(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:

2025	$	450
2026		382
2027		371
2028		155

15. Capital commitments:

HDGH has committed to capital expenditures of $500 which will be incurred over the next fiscal year. The expenditures will be funded through both operating funds and capital grants.

16. 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:

	2024	2023
Bill 124		
Ministry of Health - funding for retroactive salary costs	$ 4,059	$ –
Ministry of Health - one-time funding for current year costs	3,375	–
Retroactive salary costs	(3,682)	(1,738)
Other		
Pandemic funding	–	565
One-time other revenue (costs)	(135)	130
Termination accruals	23	(547)
	$ 3,640	$ (1,590)

17. 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, 2024.

(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.

18. Bill 124:

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. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. Ongoing impacts of the reopener provisions are reflected in the Hospital’s current wage rates and are included in the reported amount of salaries and wages.

The Ministry has provided the Hospital with funding to offset a portion the cost of the retroactive wage adjustments, as well as ongoing impacts up to March 31, 2024.

19. 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 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 $1,437 (2023 - $1,340) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, $372 (2023 - $291) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2024 is $1,663 (2023 - $667) and has been included in accounts payable and accrued liabilities.

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

20. 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.

21. 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% (2023 – prime rate less 0.5%). As of March 31, 2024, $ Nil (2023 - $Nil) has been withdrawn.

22. 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, 2024, 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, 2024, $ 19 (2023 - $17) has been withdrawn by Health Ventures Business Trust. As of year-end, HDGH receivable from the Trust is $48 (2023 - $43).

23. Code Grey:

During the year, Transform and its member hospitals, including HDGH, were subject to a ransomware attack. None of the impacted parties has 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 its internal analysis to the Ontario Information and Privacy Commissioner, purchasing credit monitoring for those whose financial information or social insurance numbers were potentially impacted 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.

24. Comparative information:

The prior year's financial information has been reclassified, where applicable, to conform with the presentation adopted in the current year. These changes do not affect the prior year's deficiency of revenues over expenses.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2024, with comparative information for 2023
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2024	Total 2023
Revenue:						
Ontario Ministry of Health	$ 81,857	10,915	400	18,065	$ 111,237	$ 107,752
Ontario Ministry of Children, Community and Social Services and Other Ministry	24	6,270	-	43	6,337	4,732
Other patient revenue	1,609	-	-	47	1,656	2,002
Other revenues and recoveries	5,994	21	-	89	6,104	4,413
Grant amortization	270	27	-	12	309	311
	89,754	17,233	400	18,256	125,643	119,210
Expenses:						
Salaries and purchased services	58,403	9,229	292	11,759	79,683	71,227
Employee benefits	14,325	2,440	18	2,994	19,777	18,147
Medical staff	1,314	-		1,533	2,847	3,011
Medical and surgical supplies	1,250	3		6	1,259	1,326
Drugs and medical gases	2,412	-	-	15	2,427	2,110
Supplies and facilities	17,217	5,736	90	1,949	24,992	22,597
Amortization of capital assets	1,841	-	-	-	1,841	1,903
	96,762	17,408	400	18,256	132,826	120,321
Deficiency of revenue over expenses for the year before undernoted items	(7,008)	(175)	-	-	(7,183)	(1,111)
Other items (note 16)	3,914	(274)	-	-	3,640	(1,590)
Deficiency of revenue over expenses for the year per Ministry of Health purposes	(3,094)	(449)	-	-	(3,543)	(2,701)
Interest, net building and land improvements amortization	(1,967)	-	-	-	(1,967)	(1,993)
Deficiency of revenue over expenses for the year	$ (5,061)	(449)	-	-	$ (5,510)	$ (4,694)