Trillium Health Partners

Financial Statements
March 31, 2023

Independent auditor's report

To the Board of Directors of Trillium Health Partners

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Trillium Health Partners (the Hospital) as at March 31, 2023 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Hospital's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations for the year then ended;
- the statement of remeasurement gains and losses 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, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 5, 2023

Trillium Health Partners

Statement of Financial Position

As at March 31, 2023

(in thousands of dollars)

	2023 $	2022 $ (Restated – note 8)
Assets		
Current assets		
Cash	276,162	498,056
Short-term investments (note 4)	58,773	7,652
Accounts receivable		
Ministry of Health and other ministries	106,954	74,585
Other	47,134	37,689
Inventories	10,759	10,283
Prepaid expenses	13,913	14,863
	513,695	643,128
Capital assets (note 5)	1,340,541	1,095,972
Other long-term assets	12,815	17,152
Long-term investments, restricted cash and cash equivalents (note 4)	27,146	29,275
	1,894,197	1,785,527
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	300,444	222,917
Deferred revenue and due to Ministry of Health and other ministries	69,879	134,129
Deferred contributions	9,239	7,699
Provincial capital grant	4,236	4,236
Current portion of long-term debt (note 9)	1,232	1,173
Current portion of asset retirement obligation (note 8)	2,384	-
	387,414	370,154
Long-term debt (note 9)	221,197	222,399
Asset retirement obligation (note 8)	36,393	38,697
Employee future benefits (note 10)	37,585	44,931
Legal defense liability (note 12)	6,241	6,761
Deferred capital grants and contributions (note 7)	973,565	845,304
	1,662,395	1,528,246

Approved by the Board of Directors

_______________ Director _______________ Director

Ms. Joan Mohammed, Chair Finance and Audit Committee — Ms. Christine Magee, Chair of the Board

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

	2023 $	2022 $ (Restated – note 8)
Net Assets		
Investment in capital assets (note 7)	225,038	110,305
Internally restricted – major initiatives	17,424	17,743
Internally restricted – other	24,798	6,460
Unrestricted	(36,220)	121,321
	231,040	255,829
Accumulated remeasurement gains	762	1,452
	1,894,197	1,785,527

Contingencies, commitments and guarantees (note 12)

Trillium Health Partners

Statement of Operations

For the year ended March 31, 2023

(in thousands of dollars)

	2023 $	2022 $ (Restated – note 8)
Revenue		
Ministry of Health and other ministries	1,137,561	1,102,367
Other agencies and patients	98,055	85,333
Other income	124,947	102,678
Amortization of deferred capital grants and contributions – equipment	8,880	7,733
Investment income	8,038	2,811
Special programs – Ministries of Health and Community and Social Services	36,614	37,141
	1,414,095	1,338,063
Expenses		
Salaries, wages and employee benefits (note 15)	953,812	869,625
Medical and surgical	105,155	97,069
Drug supplies	75,799	65,480
Supplies and other expenses	220,388	203,840
Amortization – equipment	41,142	39,687
Special programs – Ministries of Health and Community and Social Services	36,599	37,113
	1,432,895	1,312,814
(Deficit) surplus of revenue over expenses before the undernoted	(18,800)	25,249
Amortization of deferred capital grants and contributions – building	27,358	22,221
Amortization – buildings and land improvements	(42,700)	(37,294)
Interest on long-term debt	(8,611)	(8,670)
	(23,953)	(23,743)
(Deficit) surplus of revenue over expenses for the year	(42,753)	1,506

The accompanying notes are an integral part of these financial statements.

Trillium Health Partners

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2023

(in thousands of dollars)

	2023 $	2022 $
Accumulated remeasurement gains – Beginning of year	1,452	1,623
Unrealized losses attributable to		
Long-term investments	(801)	(22)
Interest rate swaps	-	3
Amounts reclassified to statement of operations		
Realized gains (losses) of long-term investments sold in the period	111	(152)
Net remeasurement losses for the year	(690)	(171)
Accumulated remeasurement gains – End of year	762	1,452

The accompanying notes are an integral part of these financial statements.

Trillium Health Partners

Statement of Changes in Net Assets

For the year ended March 31, 2023

(in thousands of dollars)

	Investment in capital assets $ (note 7)	Internally restricted – major initiatives $	Internally restricted – other $	Unrestricted $	2023 Total $	2022 Total $ (Restated – note 8)
Balance – Beginning of year	110,305	17,743	6,460	121,321	255,829	254,323
(Deficit) surplus of revenue over expenses for the year	(47,847)	-	-	5,094	(42,753)	1,506
Acquisition of capital assets	328,698	(319)	-	(328,379)	-	-
Repayment of long-term debt	1,173	-	-	(1,173)	-	-
Capital assets acquired through long-term debt	(2,792)	-	-	2,792	-	-
Deferred capital grants and contributions received	(164,499)	-	-	164,499	-	-
Funding for land acquisitions	-	-	17,964	-	17,964	-
Other interfund transfers	-	-	374	(374)	-	-
Balance – End of year	225,038	17,424	24,798	(36,220)	231,040	255,829

The accompanying notes are an integral part of these financial statements.

Trillium Health Partners

Statement of Cash Flows

For the year ended March 31, 2023

(in thousands of dollars)

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
(Deficit) surplus of revenue over expenses for the year	(42,753)	1,506
Add (deduct) items not affecting cash		
Amortization of capital assets	83,842	76,981
Amortization of deferred capital grants and contributions (note 7)	(36,238)	(29,954)
Amortization of debenture transaction fees	30	30
Employee future benefits	(7,346)	362
Legal defense liability	(520)	463
Gain on disposal of capital assets	287	18
Reinvested investment income	(2,192)	(837)
Realized gains (losses) of long-term investments sold in the period	111	(152)
	(4,779)	48,417
Changes in non-cash operating items		
Accounts receivable	(41,814)	(2,759)
Inventories	(476)	1,517
Prepaid expenses	950	2,665
Other long-term assets	4,764	4,982
Accounts payable and accrued liabilities	81,297	38,396
Asset retirement obligation	80	-
Deferred contributions	1,540	549
Deferred revenue and due to Ministry of Health and other ministries	(64,250)	39,743
	(22,688)	133,510
Investing activities		
Purchase of investments	(100,000)	-
Proceeds from maturity of investment	50,000	-
Decrease in other long-term assets	(427)	(1,972)
Decrease (increase) in restricted cash and cash equivalents	2,400	(19)
	(48,027)	(1,991)
Capital activities		
Acquisition of capital assets	(332,469)	(246,953)
Financing activities		
Deferred capital grants and contributions received	164,499	268,213
Funding for land acquisitions	17,964	-
Repayment of long-term debt	(1,173)	(1,751)
	181,290	266,462
(Decrease) increase in cash during the year	(221,894)	151,028
Cash – Beginning of year	498,056	347,028
Cash – End of year	276,162	498,056
Non-cash transactions		
(Decrease) increase in accounts payable and accrued liabilities related to capital assets	(3,770)	10,212

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

1 Operations

Trillium Health Partners (the Hospital) is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the Ministry). The Hospital Service Accountability Agreement (HSAA) sets out the performance standards and obligations of the Hospital and establishes acceptable results for the Hospital's performance.

2 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including accounting standards that apply only to government not-for-profit organizations.

These financial statements include the assets, liabilities and activities of the Hospital.

The financial statements do not include the assets, liabilities or operations of Trillium Health Partners Foundation (the THP Foundation) as this organization is not controlled by the Hospital.

Internally restricted – major initiatives

The Board of Directors of the Hospital internally restricts net assets for strategic initiatives such as replacement of the Hospital's information systems, advancing the Hospital's planning and redevelopment and funding the Hospital's share of Ministry-approved capital, research and innovation projects.

Internally restricted – other

The Hospital internally restricts net assets to be used for specific purposes including education and innovation. In the current year, there has been an increase of $17,964 restricted for land acquisitions related to the Hospital's redevelopment project.

Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(in thousands of dollars)

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded primarily by the Province of Ontario in accordance with funding arrangements established 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 a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in a subsequent period. These financial statements reflect management's best estimates of funding arrangements with the Ministry. The Hospital has entered into an accountability agreement with the Ministry, which requires the Hospital to meet certain financial and non-financial performance indicators.

All investment income that is unrestricted is recognized as revenue when earned.

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred contributions are realized in revenue on the same basis as the amortization of the cost of the related capital assets.

Other income is primarily derived from the Hospital's parking and other retail activities. Revenue is recognized when services are performed or goods are delivered.

Contributed materials and services

A substantial number of volunteers contribute a significant amount of time each year to the Hospital.

Due to the difficulty in determining the fair value of these contributed services received directly by the Hospital, these volunteered/contributed services are not recognized or disclosed in the financial statements and related notes to the financial statements.

Financial instruments

Financial instruments are financial assets or liabilities of the Hospital that, in general, provide the Hospital the right to receive cash or another financial asset from another party or require the Hospital to pay another party cash or other financial assets.

All financial instruments reported on the statement of financial position of the Hospital are classified as follows:

Cash	amortized cost
Short-term investments	fair value
Accounts receivable	amortized cost
Restricted cash and cash equivalents and long-term investments	fair value
Accounts payable and accrued liabilities	amortized cost
Due to/from the Ministry and other ministries	amortized cost
Long-term debt	amortized cost
Provincial capital grant	amortized cost

Transaction costs on assets measured at fair value are expensed as incurred. Transaction costs incurred in relation to the issuance of long-term debt are netted against the amortized cost.

(in thousands of dollars)

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The Hospital's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

The Hospital does not hold or issue derivative financial instruments for trading or speculative purposes.

Inventories

Inventories are recorded at the lower of average cost or net replacement value.

Capital assets

Capital assets are recorded at cost. Betterments that extend the estimated life of an asset are capitalized. Contributed capital assets are recorded at fair value at the date of contribution. Maintenance, renovation, repairs and minor replacements to maintain normal operating efficiency are expensed as incurred. Amortization is recorded on a straight-line basis at the following annual rates based on the estimated useful lives of the assets:

Land improvements	2% – 20%
Buildings	2% – 10%
Equipment and information systems	5% – 33%

Construction-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when a capital asset no longer has any long-term service potential. The impairment loss is calculated as the difference between the net carrying value of the asset over any residual value.

Short-term investments

Short-term investments comprise short-term deposits and include guaranteed investment certificates that are non-redeemable. The Hospital determines fair value by reference to quoted bid and ask prices, as appropriate, where available. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

Long-term investments

Equity and fixed income securities are carried at fair value. The fair value of securities that are actively traded is valued at the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

(in thousands of dollars)

Joint venture

Investments in jointly controlled entities are accounted for using the modified equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize the Hospital's share of the jointly controlled entity's net surplus or deficit for its fiscal year ending within the Hospital's fiscal year. Any distributions received are accounted for as a reduction in the investment.

Pension plan

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer best five consecutive year average pay defined benefit pension plan. Defined contribution accounting is applied to HOOPP since it is a multi-employer defined benefit plan and, therefore, the Hospital expenses contributions to the plan in the year they are due.

Employee future benefits

For other non-pension defined plans, the cost of post-employment benefits earned by employees is actuarially determined using the accrued benefit method, pro-rated on service, and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation is determined by reference to the rate of return on provincial government and corporate bonds for varying durations based on the cash flows expected from the post-employment benefit obligations. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past service costs relating to plan amendments are expensed when incurred.

Asset retirement obligation

The Hospital has legal obligations associated with the retirement from service of buildings and equipment. The Hospital recognizes obligations in relation to retiring tangible capital assets from service in the period in which the obligation arises, which is typically upon acquisition or development of the asset if a reasonable estimate of the obligation can be made.

Asset retirement obligations are measured based on the best estimate of directly attributable expenditures required to settle the obligation. These costs include post-retirement operation, maintenance and monitoring costs that are required after the asset has been removed from service. The amount of the obligation is added to the carrying amount of the associated asset and amortized on a straight-line basis over the estimated remaining useful life of the asset. Asset retirement obligations are reviewed at each statement of financial position date and adjusted based on the facts and circumstances available at that time. Changes to the estimated timing or amount of future asset retirement obligation costs are recognized in the statement of financial position. Once the related tangible capital asset is no longer in productive use, all the subsequent changes in the estimate of the liability for asset retirement obligations and any new obligation that arises in respect of the asset's disposal is recognized as an expense in the period in which the changes occur.

(in thousands of dollars)

Measurement uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

A portion of the revenue recognized from the Ministry requires estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry for the year ended March 31, 2023. The accountability agreements set 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 as set out in the agreements or in specific funding letters, the Ministry has the right to adjust funding received by the Hospital. The Ministry 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 the Ministry funding received during a 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 relating to funding that are reasonably assured of being received.

Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue, recoverability and useful lives of capital assets, asset retirement obligations, deferred capital grants and contributions and employee future benefits. Employee future benefits liabilities (note 10) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding health-care cost trend rates for retiree benefits may be significant.

New accounting standards taking effect April 1, 2023

Effective for the fiscal year beginning April 1, 2023, the Hospital will be required to follow the Public Sector Accounting Standard (PS) 3400, Revenue. The new accounting standard establishes principles on how to account for and report on revenue. Specifically this accounting standard differentiates between revenue arising from transactions that include performance obligations and those that do not. The Hospital will adopt the new standard in its financial statements for the year ending March 31, 2024 and is currently evaluating the impact that the new standard will have on its financial statements.

(in thousands of dollars)

3 Financial impacts of COVID-19

As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred pandemic response expenditures.

For the fiscal year ended March 31, 2023, the Hospital incurred pandemic-related incremental operating expenditures that amounted to $28,052 (2022 – $62,709) of which $18,604 (2022 – $62, 709) was recognized as Ministry of Health COVID-19 revenue in the statement of operations. Additionally, the Hospital incurred COVID-19 related capital expenditures that amounted to $934 (2022 – $2,280) where funding of $203 (2022 – $2,280) was recorded as deferred capital contributions on the statement of financial position for the year ended March 31, 2023. The recognition of these amounts in the statement of operations and the statement of financial position is in accordance with the Ministry's COVID-19 Incremental Hospital Expenses Guidance documents.

In addition to the funding received during the year, the Hospital received a combined $22,378 (2022 – $9,104) in temporary pandemic pay for temporary physician pay funding, personal support worker wage enhancement funding and temporary retention incentive funding for nurses (and in prior year for temporary pandemic pay funding for temporary physician pay funding and personal support worker wage enhancement funding) that has been offset against salaries, wages and employee benefits in the statement of operations, since the Hospital acted as an agent for the Ministry in respect of distributing the pay to staff and physicians.

4 Investments, restricted cash and cash equivalents

	2023 $	2022 $
Short-term investments	58,773	7,652
Investment in Credit Valley Trillium ProResp Inc.	198	198
Restricted cash and cash equivalents	4,563	6,963
Fixed income securities	14,057	13,293
Equity securities	8,328	8,821
Long-term investments, restricted cash and cash equivalents	27,146	29,275
	85,919	36,927

As at March 31, the Hospital had $50,000 in three guaranteed investment certificates, each amounting to $16,666 which are non-redeemable and mature on May 29, 2023, July 26, 2023 and September 29, 2023 at an interest rate of 4.65% per year.

The Hospital has a joint venture agreement with Professional Respiratory Home Care Service Corp., contributing $0.1 for a 50% interest in Credit Valley Trillium ProResp Inc. As at March 31, 2023, the investment was $198 (2022 – $198). The Hospital has a management services agreement with Credit Valley Trillium ProResp Inc. to provide supervisory and management services in return for a management fee. Management fee income of $283 (2022 – $291) has been included in the statement of operations as other income.

(in thousands of dollars)

The Hospital invested $22,385 (2022 – $22,114) in equity and fixed income security investments. These funds are not restricted to specific projects or initiatives. As the Hospital is not planning to utilize these funds in the near term, these investments have been classified as long-term investments.

The historical cost of equity securities amounted to $6,898 (2022 – $6,799) and the historical cost of fixed income securities was $14,915 (2022 – $14,013).

5 Capital assets

			2023
	Cost $	Accumulated amortization $	Net $
Land	42,202	-	42,202
Buildings and land improvements	1,125,824	534,006	591,818
Equipment and information systems	693,576	499,399	194,177
Construction-in-progress	509,452	-	509,452
Other	2,892	-	2,892
	2,373,946	1,033,405	1,340,541

			2022
	Cost $	Accumulated amortization $	Net $ (Restated – note 8)
Land	24,013	-	24,013
Buildings and land improvements	1,129,836	527,668	602,168
Equipment and information systems	665,103	462,312	202,791
Construction-in-progress	264,108	-	264,108
Other	2,892	-	2,892
	2,085,952	989,980	1,095,972

The Hospital is undergoing a broader redevelopment project, which includes both the Mississauga and Queensway sites (the Master Plan), which will be the future Peter Gilgan Mississauga Hospital and the Gilgan Family Queensway Health Centre respectively. These are Ministry approved projects under the Hospital's infrastructure renewal plan known as Trillium HealthWorks.

To date, construction-in-progress includes the Master Plan early works project costs of $35,908 at the Queensway site and $32,864 at the Mississauga site. On December 1, 2022, the Hospital acquired a commercial property and land located on Hurontario Street in Mississauga at a cost of $44,500 as part of the redevelopment activities at the Mississauga site.

(in thousands of dollars)

On March 10, 2023, the Hospital signed a Development Phase Agreement with a Development Partner to further develop the project requirements and the design of the Peter Gilgan Mississauga Hospital. Upon completion of the design phase, the Hospital will enter into a fixed-price project agreement with the Consortium to proceed with the construction of the new Hospital.

6 Credit facilities

The Hospital has an available line of credit of $40,000 at the Royal Bank of Canada at prime rate minus 0.75%. As at March 31, 2023, $4,618 (2022 – $500) was utilized for letters of credit. As well, the Hospital has an available line of credit for leases of $13,000 and, as at March 31, 2023 and for the prior year, the full amount was unutilized.

7 Deferred capital grants and contributions

Deferred capital grants and contributions include the unamortized balance of funding received from the Ministry for approved capital construction projects and the unamortized and unspent amounts of restricted donations from the THP Foundation and other sources, which were specified for and will be used for future capital asset acquisitions and development.

The changes for the year in the deferred balance reported in these funds are as follows:

	2023 $	2022 $
Balance – Beginning of year	845,304	607,045
Amortized to revenue during the year	(36,238)	(29,954)
Amount received/receivable	164,499	268,213
Balance – End of year	973,565	845,304

Included in deferred capital grants and contributions is $4,236 (2022 – $4,236) restricted by the Ministry for amounts advanced to the Hospital for redevelopment.

The investment in capital assets comprises the following:

	2023 $	2022 $ (Restated – note 8)
Capital assets (note 5)	1,340,541	1,095,972
Amounts financed by deferred capital grants and contributions	(973,565)	(845,304)
Amounts financed by long-term debt	(141,938)	(140,363)
	225,038	110,305

(in thousands of dollars)

8 Adoption of PS 3280, Asset Retirement Obligations

On April 1, 2022, the Hospital adopted the PS 3280, Asset Retirement Obligations (ARO) using the modified retroactive approach as at April 1, 2021. As a result of applying this PS accounting standard, an asset retirement obligation of $2,384 (2022 – $nil) was recognized as a current obligation and $36,393 (2022 – $38,697) was recognized as a long-term obligation in the statement of financial position. These obligations represent estimated retirement costs for the Hospital owned buildings and equipment, restoration costs related to medical equipment and fuel tanks. As useful life assumptions for fully depreciated assets were not being revisited, the entire ARO for these assets is included as an adjustment to the net assets and asset retirement obligation of the prior period statement of financial position. The adoption of PS 3280 ARO was applied to the comparative period as follows:

	2022		
	As previously reported $	Adjustments $	As restated $
Statement of financial position			
Capital assets	1,094,004	1,968	1,095,972
Asset retirement obligation	-	38,697	38,697
Statement of changes in net assets			
Internally restricted net assets	108,337	1,968	110,305
Unrestricted net assets	160,018	(38,697)	121,321
Statement of operations			
Amortization – equipment	(39,549)	(138)	(39,687)
Amortization – buildings and land improvements	(36,787)	(507)	(37,294)
Surplus/(deficit) for the year	2,151	(645)	1,506

9 Long-term debt

	2023 $	2022 $
Loan due December 1, 2036, interest at 4.87%, requiring monthly principal and interest payments of approximately $195, unsecured	23,520	24,693
Senior unsecured series A debentures at par value of $200,000, net of unamortized transaction costs of $1,091, due on December 20, 2058, interest at 3.702%, requiring principal repayment at maturity date	198,909	198,879
	222,429	223,572
Less: Current portion	1,232	1,173
	221,197	222,399

(in thousands of dollars)

On December 1, 2006, the Hospital entered into a fixed rate unsecured loan agreement, in the amount of $30,000, for a term of 30 years. The proceeds were used primarily to finance the construction of a new clinical administration building in Mississauga, Ontario.

On December 20, 2018, the Hospital issued unsecured debentures through a private placement, primarily to fund the development and implementation of the new hospital information system. Interest is payable semi-annually on June 20 and December 20.

Total interest paid on long-term debt in the current year was $8,611 (2022 – $8,670).

Required principal repayments on the long-term debt are as follows:

	$
2024	1,232
2025	1,293
2026	1,358
2027	1,425
2028	1,496
Thereafter	215,625
	222,429

10 Employee future benefits

Pension plan

HOOPP is a multi-employer best five consecutive year average pay defined benefit pension plan. Enrolment in HOOPP is mandatory for full-time staff on the hire date. Part-time employees may qualify for optional membership. Contributions made to the Plan during the year by the Hospital amounted to $54,692 (2022 – $53,568) and are included in salaries, wages and employee benefits in the statement of operations.

The most recent actuarial valuation as at December 31, 2022, indicated the plan is funded at 117%.

Employee future benefits

Certain employees of the Hospital are entitled to post-employment benefits. The Hospital recognizes the present value of its obligation from these benefits as they are earned. The date of the last actuarial valuation was March 31, 2023.

On September 29, 2022, the Hospital announced the harmonization of post-employment benefits for its employees across the organization effective January 1, 2023. This resulted in a one-time reduction in the Hospital's accrued benefit obligation.

The annual cost of employee future benefits is included in salaries, wages and employee benefits in the statement of operations.

(in thousands of dollars)

	2023 $	2022 $
Accrued benefit obligation – Beginning of year	28,262	29,300
Interest on accrued benefits	970	945
Current period benefit cost	1,499	2,004
Benefit payments	(1,644)	(1,661)
Prior service costs	(7,007)	-
Actuarial losses (gains)	1,752	(2,326)
Accrued benefit obligation – End of year	23,832	28,262
Unamortized actuarial gains	13,753	16,669
Liability for post-retirement benefits – End of year	37,585	44,931
Expense recorded in the statement of operations		
Current period benefit cost	1,499	2,004
Amortization of actuarial gains – net	(1,164)	(926)
Prior service costs	(7,007)	-
Interest expense	970	945
	(5,702)	2,023
Significant assumptions		
Discount rate – accrued benefit obligation (%)	4.5	3.7
Expected average remaining service years to retirement	16	16
Dental cost trend rates	5% per annum in 2023 – 2027, decreasing by 0.05% thereafter until 2029	3% per annum in 2023 – 2024, increasing by 0.35% thereafter until 2029
Extended health-care trend rates	5.6% per annum in 2023 – 2027, decreasing by 0.2% thereafter until 2029	5.37% per annum in 2023 – 2024, decreasing by 0.12% – 0.13% thereafter until 2029

(in thousands of dollars)

11 Related party transactions and balances

The Hospital has an economic interest in the THP Foundation. The THP Foundation raises funds to support operating initiatives and capital projects of the Hospital. The Hospital does not exercise control or significant influence over the THP Foundation; consequently, the financial statements do not include the assets, liabilities and activities of the THP Foundation.

Related party transactions during the year with the THP Foundation not separately disclosed in the financial statements include the following:

	2023 $	2022 $
Capital grants and contributions received during the year	1,996	3,939
Operating contributions	5,790	3,272
	7,786	7,211

The Hospital provides the THP Foundation with information technology support and payroll administration services at no cost. Salaries, benefits and certain miscellaneous expenses are paid by the Hospital and are reimbursed by the THP Foundation. During the year, reimbursements made by the THP Foundation for these expenses were $6,306 (2022 – $5,472).

Any accounts receivable with the THP Foundation are settled monthly through the collection of monies from the THP Foundation. As at March 31, 2023, there was $486 (2022 – $381) outstanding and recorded in other accounts receivable in the statement of financial position.

In conjunction with two other hospitals, the Hospital is a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West (SSW). SSW is a not-for-profit corporation, administered by a ten-member board including four voting members from the Hospital and four from the other member hospitals. During the year, the Hospital paid membership fees and other charges to SSW in the amount of $5,611 (2022 – $5,242). SSW provides purchasing, contract management and logistics services for the Hospital. The Hospital also provided employee health and safety advisory services to SSW and charged $12 (2022 – $12) as well as $256 (2022 – $256) for project support services. As at March 31, 2023, the Hospital owed SSW $373 (2022 – $44) and had a receivable from SSW of $45 (2022 – $23).

In fiscal 2022, the Hospital acquired land and a building adjacent to the Mississauga Hospital site. The Hospital leases the land and the building to Partners Community Health (PCH), an independent not-for-profit charitable corporation the mandate of which is to bring seniors' health-care services to the people living in Mississauga and West Toronto. The Hospital is the sole voting member of PCH.

(in thousands of dollars)

The summary of financial statement balances for this non-consolidated entity as at March 31 is as follows:

	2023 $	2022 $
Financial position		
Total assets	5,842	2,000
Total liabilities	(9,849)	(3,723)
Net assets	(4,007)	(1,723)
Results of operations		
Total revenue	20,343	2
Total expenses	(22,626)	(1,693)
Deficit for the year	(2,283)	(1,691)

There were cash inflows of $1,423 from operating activities, $209 from capital activities and $1,500 from financing activities.

As at March 31, 2023, PCH owed the Hospital $3,080 (2022 – $2,105).

12 Contingencies, commitments and guarantees

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) and, therefore, has an economic interest in HIROC. HIROC is a not-for-profit insurance reciprocal. All members of the reciprocal pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the reciprocal for the years in which they are members, and these losses could be material. No reassessments have been made to March 31, 2023.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

Effective January 1, 2015, the Hospital entered into an agreement with HIROC Management Limited whereby HIROC will continue to provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claim will be paid by the Hospital. The Hospital has appointed HIROC Management Limited to act as agent for the Hospital for such claims, in accordance with an agency agreement. Costs associated with claims arising prior to January 1, 2015 will be borne by HIROC. Projected costs of defending claims that arise subsequent to January 1, 2015 are based on claims defence costs incurred by HIROC in the past. In fiscal 2023, $379 (2022 – $1,271) was recorded for claims defence costs and included in the financial statements as supplies and other expenses in the statement of operations.

(in thousands of dollars)

The Hospital's current operating lease commitments are as follows:

	$
2024	2,635
2025	3,186
2026	3,106
2027	2,846
2028	1,796
Thereafter	7,010
	20,579

Indemnity has been provided to all directors and officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined but is limited to the period over which the indemnified party served as a director or officer of the Hospital. The maximum amount of any potential future payment cannot be reasonably estimated.

13 Financial instruments

Establishing fair value

The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in thousands of dollars)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Financial assets, which include cash, restricted cash, short-term investments and investments in equity securities, are grouped into Level 1. Investments in fixed income securities are grouped into Level 2.

Risks arising from financial instruments and risk management

The Hospital is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. The Hospital's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance.

- Credit risk

  The Hospital's principal financial assets are cash, accounts receivable and investments, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represent the Hospital's maximum credit exposure as at the statement of financial position date.

  The Hospital's credit risk is primarily attributable to its receivables. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital does not have any significant past due accounts receivable that are not provided for. The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care to patients regardless of their ability to pay for the services provided.

  As at March 31, 2023, the following patient accounts receivable were past due but not impaired, partly due to timing of Ministry recoveries for services provided under the Ontario Health Insurance Plan:

	30 days $	60 days $	90 days $	120 days $
Accounts receivable	15,282	3,379	1,596	1,127

  The credit risk on cash and investments is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

- Liquidity risk

  Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they come due. The Hospital monitors its operations and cash flows to ensure current and future obligations will be met. The Hospital believes its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

(in thousands of dollars)

The maturity analysis of the Hospital's long-term debt is described in note 9. The majority of the accounts payable and accrued liabilities are expected to be settled in the next fiscal year.

- Market risk

  The Hospital is exposed to interest rate risk and price risk with regard to its short and long-term investments and interest rate risk on its long-term debt, all of which are regularly monitored. The interest rate risk on long-term debt is managed by entering into long maturity fixed rate borrowings (note 9).

14 Ministry of Health and other ministries

Included in Ministry of Health and other ministries revenue on the statement of operations is $1,394 (2022 – $1,369) related to the funding of the Centre for Complex Diabetes Care Program.

15 Financial implications associated with the repeal of Bill 124

On November 29, 2022, the Ontario Superior Court declared Bill 124 as void and, therefore, struck down in its entirety in its application to both the unionized and non-unionized employees to whom it applied. A number of arbitrations subsequent to March 31, 2023 awarded additional increases in wages for the period from April 1, 2020 to March 31, 2023 to certain employees. There is uncertainty as to the extent to which government funding will be provided to support these payouts, and as at the date of authorization of these financial statements there were no amounts reasonably assured of being received. As a result, the Hospital recorded additional salaries, wages and employee benefit expenses in the current fiscal year related to the retroactive wage increases for the Hospital's unionized and non-unionized employees, without corresponding revenue. These unplanned extraordinary one-time costs resulted in an unplanned deficit for the year in the amount of $42,753.

16 Comparative figures

Certain amounts in the prior year have been restated to conform to the current year's financial statement presentation.