

Trillium Health Partners

Financial Statements

March 31, 2024



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, 2024 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, 2024;
- 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 6, 2024

Trillium Health Partners

Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Assets		
Current assets		
Cash	229,454	276,162
Restricted cash (note 4)	4,236	-
Short-term investments (note 4)	1,216	58,773
Accounts receivable		
Ministry of Health and other ministries	197,594	106,954
Other	48,735	47,134
Inventories	13,839	10,759
Prepaid expenses	15,069	13,913
	<u>510,143</u>	<u>513,695</u>
Capital assets (note 5)	1,684,591	1,340,541
Other long-term assets	11,311	12,815
Long-term investments, restricted cash and cash equivalents (note 4)	<u>37,158</u>	<u>27,146</u>
	<u>2,243,203</u>	<u>1,894,197</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	259,939	300,444
Deferred revenue and due to Ministry of Health and other ministries	56,888	69,879
Deferred contributions	8,186	9,239
Provincial capital grant	4,236	4,236
Current portion of long-term debt (note 8)	1,293	1,232
Current portion of asset retirement obligation	2,424	2,384
	<u>332,966</u>	<u>387,414</u>
Long-term debt (note 8)	219,935	221,197
Asset retirement obligation	36,406	36,393
Long-term obligation – building (note 5)	152,301	-
Employee future benefits (note 9)	36,839	37,585
Legal defense liability (note 11)	5,771	6,241
Deferred capital grants and contributions (note 7)	<u>1,221,023</u>	<u>973,565</u>
	<u>2,005,241</u>	<u>1,662,395</u>

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

Trillium Health Partners
Statement of Financial Position ...*continued*
As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Net Assets		
Investment in capital assets (note 7)	321,681	225,038
Internally restricted – major initiatives	17,424	17,424
Internally restricted – other	45,848	24,798
Unrestricted	<u>(150,673)</u>	<u>(36,220)</u>
	<u>234,280</u>	<u>231,040</u>
Accumulated remeasurement gains	<u>3,682</u>	<u>762</u>
	<u>2,243,203</u>	<u>1,894,197</u>
Contingencies, guarantees and commitments (notes 11 and 12)		

Approved by the Board of Directors



Director



Director

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

Trillium Health Partners

Statement of Operations

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Revenue		
Ministry of Health and other ministries (note 3)	1,309,650	1,137,561
Other agencies and patient revenue	119,344	98,055
Other income	142,780	124,947
Amortization of deferred capital grants and contributions – equipment	11,920	8,880
Investment income	10,956	8,038
Special programs – Ministries of Health and Community and Social Services	44,593	36,614
	<hr/> 1,639,243	<hr/> 1,414,095
Expenses		
Salaries, wages and employee benefits (note 3)	1,050,286	953,812
Medical and surgical supplies	115,732	105,155
Drug supplies	92,550	75,799
Supplies and other expenses	270,256	220,388
Amortization – equipment	38,790	41,142
Special programs – Ministries of Health and Community and Social Services	44,578	36,599
	<hr/> 1,612,192	<hr/> 1,432,895
Surplus (deficit) of revenue over expenses before the undernoted	<hr/> 27,051	<hr/> (18,800)
Amortization of deferred capital grants and contributions – building	29,574	27,358
Amortization – buildings and land improvements	(44,710)	(42,700)
Interest on long-term debt	(8,553)	(8,611)
	<hr/> (23,689)	<hr/> (23,953)
Surplus (deficit) of revenue over expenses for the year	<hr/> 3,362	<hr/> (42,753)

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, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Accumulated remeasurement gains – Beginning of year	762	1,452
Unrealized gains (losses) attributable to Long-term investments	1,826	(801)
Amounts reclassified to statement of operations Realized gains of long-term investments sold in the year	1,094	111
Net remeasurement gains (losses) for the year	2,920	(690)
Accumulated remeasurement gains – End of year	3,682	762

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, 2024

(in thousands of dollars)

					2024	2023
	Investment in capital assets \$ (note 7)	Internally restricted – major initiatives \$	Internally restricted – other \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	225,038	17,424	24,798	(36,220)	231,040	255,829
Surplus (deficit) of revenue over expenses for the year	(42,036)	-	-	45,398	3,362	(42,753)
Investment in capital assets	427,550	-	-	(427,550)	-	-
Repayment of long-term debt	1,232	-	21,270	(22,502)	-	-
Capital assets acquired through long-term debt	(1,151)	-	-	1,151	-	-
Deferred capital grants and contributions received or receivable	(288,952)	-	-	288,952	-	-
Funding for land acquisitions	-	-	(116)	-	(116)	17,964
Other interfund transfers	-	-	(104)	98	(6)	-
Balance – End of year	321,681	17,424	45,848	(150,673)	234,280	231,040

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

Trillium Health Partners

Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Surplus (deficit) of revenue over expenses for the year	3,362	(42,753)
Add (deduct) items not affecting cash		
Amortization of capital assets	83,500	83,842
Amortization of deferred capital grants and contributions (note 7)	(41,494)	(36,238)
Amortization of debenture transaction fees	31	30
Employee future benefits	(746)	(7,346)
Legal defense liability	(470)	(520)
Gain on disposal of capital assets	-	287
Reinvested investment income	(5,194)	(2,192)
Realized gains of long-term investments sold in the period	1,094	111
	<u>40,083</u>	<u>(4,779)</u>
Changes in non-cash operating items		
Accounts receivable	43,617	(41,814)
Inventories	(3,080)	(476)
Prepaid expenses	(1,156)	950
Other long-term assets	2,408	4,764
Accounts payable and accrued liabilities	(45,827)	81,297
Asset retirement obligation	53	80
Deferred contributions	(1,053)	1,540
Deferred revenue and due to Ministry of Health and other ministries	(12,991)	(64,250)
	<u>22,054</u>	<u>(22,688)</u>
Investing activities		
Purchase of investments	-	(100,000)
Proceeds from maturity of investment	50,000	50,000
Decrease in other long-term assets	(904)	(427)
Decrease in restricted cash and cash equivalents	328	2,400
	<u>49,424</u>	<u>(48,027)</u>
Capital activities		
Acquisition of capital assets	(269,932)	(332,469)
Financing activities		
Deferred capital grants and contributions received	153,094	164,499
Funding for land acquisitions	(116)	17,964
Repayment of long-term debt	(1,232)	(1,173)
	<u>151,746</u>	<u>181,290</u>
Decrease in cash during the year	<u>(46,708)</u>	<u>(221,894)</u>
Cash – Beginning of year	<u>276,162</u>	<u>498,056</u>
Cash – End of year	<u>229,454</u>	<u>276,162</u>
Non-cash transactions		
Changes in accounts receivable related to accrued deferred capital grants and contributions	(135,858)	-
Changes in accounts payable and accrued liabilities related to additions of capital assets	5,322	(3,770)
Changes in long-term obligation – building related to additions of capital assets	152,301	-

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

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(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 are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting (PSA) Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards for not-for-profit organizations that include Section PS 4200 to 4270. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Foundation) as this organization is not controlled by the Hospital (note 10).

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 \$21,270 restricted for repayment of the unsecured series A debentures issued in December 2018 (note 8).

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.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(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 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 capital contributions are realized in revenue on the same basis as the amortization of the cost of the related capital assets.

Revenue from other agencies and patients relates to the provision of healthcare services to patients with Canadian federal and provincial health insurance plans, third party insurance health plans and patients not covered by a health insurance plan. Other income is primarily derived from Hospital's parking and other retail activities. For these exchange services, the Hospital differentiates between revenue arising from transactions that include performance obligations and those that do not. Revenue arising from transactions with performance obligations is recognized when the performance obligation is satisfied for the portion of the transaction price allocated to the performance obligation that has been satisfied. Revenue from transactions with no performance obligations is recognized when the Hospital has the authority to claim or retain the revenue and an event has happened that gives the Hospital the right to the revenue. The amount of revenue from transactions with no performance obligations is recognized at its realizable value when received or receivable.

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.

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.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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
Long-term investments, restricted cash and cash equivalents	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
Long-term obligation – building	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.

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, renovations, 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 complete and the assets are ready for productive use.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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 of short-term deposits or guaranteed investment certificates that are non-redeemable.

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.

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 pension plan and, therefore, the Hospital expenses contributions to the plan in the year the contributions are due.

Employee future benefits

For other non-pension defined benefit 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.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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.

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, 2024. 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 and approved.

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 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.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

New accounting standard in effect

Effective April 1, 2023, the Hospital adopted Public Sector Accounting Standard 3400, Revenue. This new accounting standard establishes principles on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and those that do not. The standard applies to the Hospital's revenue from other agencies and patients as well as revenue from other income.

There was no impact on the presentation, measurement or recognition of revenue in the current or prior periods as a result of the adoption of this new standard.

3 Financial implications associated with the repeal of Bill 124 and other labour arbitration awards

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. In addition, arbitration awards for the period from April 1, 2023 to March 31, 2024 resulted in further wage increases for unionized employees and equitable wage increases for non-unionized employees. As a result, the Hospital recorded additional salaries, wages and employee benefit expenses of \$95,395 (2023 – \$43,661) related to these retroactive and current year wage increases for the Hospital's unionized and non-unionized employees. In fiscal 2024, Ministry funding of \$127,973 (2023 – \$nil) was received to partly support these additional employee salary and benefit obligations. This Ministry funding is included within Ministry of Health and other ministries revenue on the statement of operations.

4 Investments, restricted cash and cash equivalents

	2024 \$	2023 \$
Short-term investments	1,216	58,773
Restricted cash	4,236	-
	<hr/> 5,452	<hr/> 58,773
Investment in Credit Valley Trillium ProResp Inc.	198	198
Restricted cash and cash equivalents	-	4,563
Fixed income securities	17,428	14,057
Equity securities	19,532	8,328
	<hr/> 37,158	<hr/> 27,146
Long-term investments, restricted cash and cash equivalents	37,158	27,146
	<hr/> 42,610	<hr/> 85,919

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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, 2024, the investment was \$198 (2023 – \$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 \$350 (2023 – \$283) has been included in the statement of operations as other income.

The Hospital invested \$36,960 (2023 – \$22,385) in equity and fixed income security investments. These funds are internally restricted for the repayment of the unsecured series A debentures and have been classified as long-term investments accordingly.

The historical cost of equity securities amounted to \$16,394 (2023 – \$6,898) and the historical cost of fixed income securities was \$17,515 (2023 – \$14,915).

5 Capital assets

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Land	42,154	-	42,154
Buildings and land improvements	1,517,083	579,851	937,232
Equipment and information systems	723,996	535,763	188,233
Construction-in-progress	514,079	-	514,079
Other	2,893	-	2,893
	<u>2,800,205</u>	<u>1,115,614</u>	<u>1,684,591</u>
	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
	<u>2,373,946</u>	<u>1,033,405</u>	<u>1,340,541</u>

The Hospital is undergoing a broader redevelopment project, which includes both the Mississauga and Queensway sites, 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.

Trillium Health Partners

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Included in net buildings and land improvement are completed construction projects of the Hospital in the fiscal period. These include the long term care home located on Speakman Drive in Mississauga of \$325,917 that was completed in July 2023 and an eight-storey parking facility at the Queensway Health Centre of \$52,840 that became operational in February 2024.

Construction-in-progress includes Trillium HealthWorks capital redevelopment planning and design project costs of \$211,952 for the Queensway site and \$277,189 for the Mississauga site inclusive of the following:

- i) Costs under a development phase agreement with a development partner to further develop the project requirements and the design of the Peter Gilgan Mississauga Hospital of \$115,401. Upon completion of the design phase, the Hospital will enter into a fixed-price project agreement with the partner to proceed with the construction of the new Peter Gilgan Mississauga Hospital.
- ii) Costs under a fixed-price project agreement with a project partner to build a new Gilgan Family Queensway Health Centre in Etobicoke of \$152,301. Due to the timing of payments under the project agreement, the Hospital has recorded a corresponding long-term building obligation in the statement of financial position.

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, 2024, \$5,689 (2023 – \$4,618) was utilized for letters of credit. As well, the Hospital has an available undrawn line of credit for leases of \$13,000 (2023 – \$13,000).

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 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:

	2024 \$	2023 \$
Balance – Beginning of year	973,565	845,304
Amortized to revenue during the year	(41,494)	(36,238)
Amount received or receivable	288,952	164,499
	<hr/>	<hr/>
Balance – End of year	1,221,023	973,565

Trillium Health Partners

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(in thousands of dollars)

The investment in capital assets comprises the following:

	2024 \$	2023 \$
Capital assets (note 5)	1,684,591	1,340,541
Amounts financed by deferred capital grants and contributions	(1,221,023)	(973,565)
Amounts financed by long-term debt	(141,887)	(141,938)
	<u>321,681</u>	<u>225,038</u>

8 Long-term debt

	2024 \$	2023 \$
Loan due December 1, 2036, interest at 4.87%, requiring monthly principal and interest payments of approximately \$195, unsecured	22,288	23,520
Senior unsecured series A debentures at par value of \$200,000, net of unamortized transaction costs of \$1,060, due on December 20, 2058, interest at 3.702%, requiring principal repayment at maturity date	<u>198,940</u>	<u>198,909</u>
	221,228	222,429
Less: Current portion	<u>1,293</u>	<u>1,232</u>
	<u>219,935</u>	<u>221,197</u>

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 \$8,553 (2023 – \$8,611).

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

	\$
2025	1,293
2026	1,358
2027	1,425
2028	1,496
2029	1,571
Thereafter	<u>214,085</u>
	<u>221,228</u>

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(in thousands of dollars)

9 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 \$67,827 (2023 – \$54,692) and are included in salaries, wages and employee benefits in the statement of operations.

The most recent actuarial valuation as at December 31, 2023 indicated the plan is funded at 115%.

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.

	2024 \$	2023 \$
Accrued benefit obligation – Beginning of year	23,832	28,262
Interest on accrued benefits	1,093	970
Current period benefit cost	1,214	1,499
Benefit payments	(2,154)	(1,644)
Prior service costs	316	(7,007)
Actuarial (gains) losses	(522)	1,752
	<hr/>	<hr/>
Accrued benefit obligation – End of year	23,779	23,832
Unamortized actuarial gains	13,060	13,753
	<hr/>	<hr/>
Liability for post-retirement benefits – End of year	36,839	37,585
	<hr/>	<hr/>
Expense recorded in the statement of operations		
Current period benefit cost	1,214	1,499
Amortization of actuarial gains – net	(899)	(1,164)
Recognition of unamortized actuarial gains – net	(316)	-
Prior service costs	316	(7,007)
Interest expense	1,093	970
	<hr/>	<hr/>
	1,408	(5,702)
	<hr/>	<hr/>

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March 31, 2024

(in thousands of dollars)

	2024	2023
Significant assumptions		
Discount rate – accrued benefit obligation (%)	4.7	4.5
Expected average remaining service years to retirement	16	16
	5% per annum in 2023 – 2027, decreasing to an ultimate rate of 3.57% per annum	5% per annum in 2023 – 2027, increasing by 0.05% thereafter until 2029
Dental cost trend rates		
	5.6% per annum in 2023 – 2027, decreasing to an ultimate rate of 3.57% per annum	5.6% per annum in 2023 – 2027, decreasing by 0.2% thereafter until 2029
Extended health-care trend rates		

10 Related party transactions and balances

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

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

	2024	2023
	\$	\$
Capital grants and contributions received during the year	2,113	1,996
Operating contributions	6,654	5,790
	<hr/> 8,767	<hr/> 7,786

The Hospital provides the 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 Foundation. During the year, reimbursements made by the Foundation for these expenses were \$7,100 (2023 – \$6,306).

Any accounts receivable with the Foundation are settled monthly through the collection of monies from the Foundation. As at March 31, 2024, there was \$527 (2023 – \$486) outstanding and recorded in other accounts receivable in the statement of financial position.

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Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

In conjunction with two other member 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 \$7,319 (2023 – \$5,611). 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 (2023 – \$12) as well as \$256 (2023 – \$256) for project support services. As at March 31, 2024, the Hospital owed SSW \$360 (2023 – \$373) and had a receivable from SSW of \$22 (2023 – \$45).

Effective April 1, 2024, SSW and Mohawk Medbuy Corporation (MMC) executed an asset purchase agreement whereby SSW will transfer all of its assets and liabilities to MMC. With the execution of this asset purchase agreement, the existing SSW equity members services agreement with its three member hospitals will terminate and SSW members will enter into a new services agreement with MMC. MMC will provide the SSW member hospitals the same services as they were receiving from SSW under the SSW equity members services agreement.

The Hospital leases the long term care home on Speakman Drive in Mississauga to Partners Community Health (PCH). PCH is an independent not-for-profit charitable corporation, whose mandate 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.

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

	2024 \$	2023 \$
Financial position		
Total assets	25,163	5,842
Total liabilities	(29,418)	(9,849)
Net assets	(4,255)	(4,007)
Results of operations		
Total revenue	45,484	20,343
Total expenses	(45,390)	(22,626)
Surplus (deficit) for the year	94	(2,283)

There were cash inflows of \$8,632 from operating activities, outflows of \$196 from capital activities and \$nil from financing activities.

As at March 31, 2024, PCH owed the Hospital \$3,740 (2023 – \$3,080).

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Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

11 Contingencies 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, 2024.

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 2024, \$189 (2023 – \$379) was recorded for claims defence costs and included in the financial statements as supplies and other expenses in the statement of operations.

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.

12 Operating and capital financial commitments

The Hospital entered into various operating lease commitments as follows:

	\$
2025	4,982
2026	4,955
2027	4,727
2028	2,995
2029	2,100
Thereafter	9,742
	<hr/>
	29,501
	<hr/>

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Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Effective February 8, 2024, the Hospital entered into a fixed-price project agreement with a project partner to build the new Gilgan Family Queensway Health Centre. As part of the project agreement, the Hospital made financial commitments as follows:

	\$
2025	291,127
2026	240,855
2027	397,150
2028	232,649
2029	79,548
	<u>1,241,329</u>

The Ministry had committed, over a five-year period, to fund a significant portion of the building capital cost and related interest costs of this project.

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).

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.

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Notes to Financial Statements

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(in thousands of dollars)

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, 2024, 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	16,945	1,479	1,896	1,976

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.

The maturity analysis of the Hospital's long-term debt is described in note 8. 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 8).

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March 31, 2024

(in thousands of dollars)

14 Ministry of Health and other ministries

Included in Ministry of Health and other ministries revenue on the statement of operations is \$1,394 (2023 – \$1,394) related to the funding of the Centre for Complex Diabetes Care Program.