

**North York
General Hospital**

Financial Statements

March 31, 2024

Independent Auditor's Report

To the Board Members of North York General Hospital

Opinion

We have audited the financial statements of North York General Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2024, and the statements of changes in net assets, remeasurement losses, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Hospital for the year ended March 31, 2023 were audited by another auditor who expressed an unqualified opinion on those statements on May 25, 2023.

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

Management is responsible for the preparation and fair presentation of these 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.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 3, 2024

North York General Hospital

Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Assets		
Current assets		
Cash and cash equivalents	99,915	109,279
Accounts receivable (note 4)	37,634	34,076
Prepaid expenses	8,024	7,011
Inventories	7,293	6,850
	<u>152,866</u>	<u>157,216</u>
Capital assets (note 5)	273,014	261,319
Other long-term asset	10,378	9,433
Long-term investments (note 6)	6,564	6,106
	<u>442,822</u>	<u>434,074</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	134,055	141,790
Deferred revenue	12,237	12,071
Current portion of long-term debt (note 7)	825	775
	<u>147,117</u>	<u>154,636</u>
Long-term debt (note 7)	4,735	5,560
Derivative liabilities (note 7)	334	557
Employee future benefits (note 9)	13,168	13,018
Deferred capital contributions (note 8)	199,163	183,231
Other long-term liability	9,890	9,376
	<u>374,407</u>	<u>366,378</u>
Net Assets		
Invested in capital assets (note 3)	109,380	135,084
Unrestricted	(40,628)	(66,663)
Accumulated remeasurement losses	(337)	(725)
	<u>68,415</u>	<u>67,696</u>
	<u>442,822</u>	<u>434,074</u>
Commitments and contingencies (note 14)		

Approved by the Board



Treasurer

bc

Chairman

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

North York General Hospital

Statement of Operations

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Revenue		
Ministry of Health and Ontario Health	447,668	396,917
COVID-19 funding	2,381	21,685
Patient services	51,413	43,028
Ancillary operations	59,769	53,312
Amortization of deferred capital contributions – equipment and software	4,184	3,842
	<u>565,415</u>	<u>518,784</u>
Expenses		
Salaries and wages	260,628	237,672
Employee benefits (note 9)	69,863	62,723
Medical staff	49,137	48,562
Building and equipment maintenance	34,244	33,547
Drugs	46,533	39,490
Medical and surgical supplies	27,588	25,863
Other supplies and expenses	64,936	59,808
Amortization of equipment and software	8,855	8,180
	<u>561,784</u>	<u>515,845</u>
Excess of revenue over expenses before the undernoted	<u>3,631</u>	<u>2,939</u>
Amortization of deferred capital contributions – building and parking facilities	6,878	5,147
Amortization of building and parking facilities	<u>(10,178)</u>	<u>(8,086)</u>
	<u>(3,300)</u>	<u>(2,939)</u>
Excess of revenue over expenses for the year	<u>331</u>	<u>-</u>

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

North York General Hospital

Statement of Changes in Net Assets

For the year ended March 31, 2024

(in thousands of dollars)

			2024	2023
	Invested in capital assets \$ (note 3)	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	135,084	(66,663)	68,421	71,673
Impact of adoption of Section PS 3280, Asset Retirement Obligations at April 1, 2022	-	-	-	(3,252)
Adjusted balance – Beginning of year	135,084	(66,663)	68,421	68,421
Excess of revenue over expenses for the year	(5,637)	5,968	331	-
Invested in capital assets transfer (note 3)	(20,067)	20,067	-	-
Balance – End of year	109,380	(40,628)	68,752	68,421

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

North York General Hospital

Statement of Remeasurement Losses

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Accumulated remeasurement losses – Beginning of year	<u>(725)</u>	<u>(1,031)</u>
Unrealized gains (losses) attributable to		
Change in fair value		
Derivatives	224	404
Investments	<u>164</u>	<u>(98)</u>
Net remeasurement gains for the year	<u>388</u>	<u>306</u>
Accumulated remeasurement losses – End of year	<u>(337)</u>	<u>(725)</u>

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

North York General Hospital

Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	331	-
Items not affecting cash		
Amortization of equipment and software	8,855	8,180
Amortization of building and parking facilities	10,178	7,170
Amortization of deferred capital contributions of equipment and software	(4,184)	(3,842)
Amortization of deferred capital contributions of building and parking facilities	(6,878)	(5,147)
Employee future benefits expense	150	238
Increase in investments	(293)	(30)
Changes in non-cash components of working capital (note 10)	(13,014)	18,559
	<u>(4,855)</u>	<u>25,128</u>
Financing activities		
Capital contributions received		
Ministry of Health	11,954	12,555
North York General Hospital Foundation and other	15,040	13,092
Repayment of long-term debt	(775)	(730)
	<u>26,219</u>	<u>24,917</u>
Capital activity		
Purchases of capital assets	(30,728)	(36,874)
Change in cash and cash equivalents during the year	(9,364)	13,171
Cash and cash equivalents – Beginning of year	<u>109,279</u>	<u>96,108</u>
Cash and cash equivalents – End of year	<u>99,915</u>	<u>109,279</u>

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

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

1 Operations

North York General Hospital (NYGH or the Hospital), affiliated with the University of Toronto, is a leading community academic hospital in Canada. It offers a wide range of acute care, ambulatory and long-term care services across its seven sites and is a leader in patient and family centered care.

The Hospital was incorporated in 1962, without share capital, under Part III of the Ontario Corporations Act. The Hospital is a registered charity as defined in the Income Tax Act (Canada) and, as such, is exempt from corporate income taxes.

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of the North York General Hospital Foundation (the Foundation) or the activities of the North York General Hospital Volunteer Services.

Impacts of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures.

During the year ended March 31, 2024, the Hospital incurred pandemic-related incremental operating expenditures of \$2,381 (2023 – \$21,685). This amount was recognized as Ministry of Health (MOH) COVID-19 funding revenue in the statement of operations for the year ended March 31, 2024, in accordance with the MOH's COVID-19 Hospital Expenses Guidance document.

In addition to funding received, the Hospital received \$1,644 (2023 – \$2,566) in temporary pandemic pay funding for eligible staff and temporary physician pay funding, which have been offset in salaries and wages, employee benefits and medical staff in the statement of operations during the year, since the Hospital acted as an agent for the MOH in respect of distributing the pay to staff and physicians.

Although the COVID-19 pandemic has become endemic there are continuing costs, and it is not possible to reliably estimate the impact on the financial results of the Hospital in future periods.

2 Significant accounting policies

The 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.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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.

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 MOH and Ontario Health (an integrated organization of previous provincial health units including Local Health Integration Network and Cancer Care Ontario). 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 the subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOH and Ontario Health. The Hospital has entered into an accountability agreement with Ontario Health, which requires the Hospital to meet certain financial and non-financial performance indicators.

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

Amortization of building and parking facilities is not fully funded by the MOH and accordingly the amortization of building and parking facilities has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred donations and grants.

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 recognized in revenue on the same basis as the amortization of the cost of the related capital assets.

Employee benefit plans

Substantially all employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, best five years' average earnings and contributory pension plan; employees are entitled to certain post-employment benefits. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

The Hospital provides certain healthcare, dental, life insurance and other benefits for certain retired employees. The cost of post-employment benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and healthcare costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on cash flows expected from employee future 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.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a term to maturity of three months or less from the date of purchase. Included in cash and cash equivalents is restricted cash of \$42,007 (2023 – \$66,583) pertaining to unspent capital contributions and \$12,237 (2023 – \$12,071) pertaining to deferred revenue.

Inventories

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and replacement cost. Outpatient pharmacy inventories, which are sold at prices that reflect fair value, are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are stated at cost, less accumulated amortization.

Expenditures for new facilities, or expenditures that substantially increase the useful lives of existing capital assets, are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Contributed capital assets are recorded at fair value at the date of acquisition.

Amortization is provided for by the straight-line method over the estimated useful lives of the assets at rates as follows:

Parking facilities	4% – 10%
Buildings	2-1/2% – 20%
Equipment	5% – 20%
Software	33-1/3%

Projects-in-progress comprise direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for 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.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related financial statement notes.

Joint ventures

The investment in joint ventures is accounted for using the modified equity method.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Financial instruments

The Hospital's financial instruments are measured as follows:

Assets/liabilities	Measurement category
Cash and cash equivalents	amortized cost
Accounts receivable	amortized cost
Other long-term asset	amortized cost
Long-term investments	fair value
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost
Derivative liabilities	fair value
Other long-term liability	amortized cost

Transaction costs related to financial instruments are expensed as incurred.

Derivatives

Interest rate swap agreements are used as part of the Hospital's program to manage the fixed and floating interest rate mix of the Hospital's long-term debt portfolio and related overall cost of borrowing. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense.

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Long-term investments are measured as Level 1 financial instruments and the derivative liabilities are measured as Level 2 financial instruments.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement losses. On settlement, the cumulative gain or loss is reclassified from the statement of remeasurement losses and are recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. Transaction costs on assets measured at fair value are expensed as incurred.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

All financial assets, except derivative liabilities and long-term investments, are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of long-term investments to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

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 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 MOH 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 MOH 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 MOH has the right to adjust funding received by the Hospital. The MOH 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 MOH 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 that have been earned during the year.

The COVID-19 pandemic has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions related to critical estimates as they relate to funding received from the MOH for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the MOH as of the date of these financial statements. There is uncertainty as to the extent to which funding will be clawed back if additional clarifying guidance is published by the MOH. Given the likelihood of the MOH issuing additional guidance, there is an increased risk that funding provided may be clawed back and that COVID-19 funding has not been appropriately recorded in the statement of operations.

Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits. Employee future benefits (note 9) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Use of estimates

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectability of accounts receivable, recoverability and useful lives of capital assets, COVID-19 revenue and employee future benefits.

Asset retirement obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

3 Invested in capital assets

Investment in capital assets represents the following:

	2024 \$	2023 \$
Capital assets	273,014	261,319
Less: net book value of capitalized asset retirement obligations	(918)	(3,252)
	<u>272,096</u>	<u>269,762</u>
Less amount financed by:		
Long-term debt (note 7)	(5,560)	(6,335)
Deferred capital contributions spent	(157,156)	(116,648)
	<u>109,380</u>	<u>135,084</u>

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

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

	2024 \$	2023 \$
Excess of revenue over expenses		
Amortization of deferred capital contributions		
Equipment and software	4,184	3,842
Building and parking facilities	6,878	5,147
	<u>11,062</u>	<u>8,989</u>
Amortization of capital assets		
Equipment and software	8,855	8,180
Building and parking facilities	10,178	8,086
Amortization of asset retirement obligation	(2,334)	-
	<u>16,699</u>	<u>16,266</u>
Excess of expenses over revenue	<u>(5,637)</u>	<u>(7,277)</u>
Net change in invested in capital assets		
Purchase of capital assets	30,728	38,286
Increase in deferred capital contributions	(51,570)	(3,460)
Decrease in long-term debt	775	730
	<u>(20,067)</u>	<u>35,556</u>

4 Accounts receivable

	2024 \$	2023 \$
MOH	15,661	13,418
Patient receivables	15,322	11,760
Ontario Health	1,692	3,699
North York General Hospital Foundation	328	611
Other	7,310	5,723
	<u>40,313</u>	<u>35,211</u>
Less: Allowance for doubtful accounts	<u>2,679</u>	<u>1,135</u>
	<u>37,634</u>	<u>34,076</u>

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

5 Capital assets

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Land	541	-	541
Parking facilities	28,702	18,809	9,893
Buildings	334,429	153,860	180,569
Equipment	221,993	187,302	34,691
Software	50,661	38,258	12,403
	636,326	398,229	238,097
Projects-in-progress	34,917	-	34,917
	671,243	398,229	273,014

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Land	541	-	541
Parking facilities	28,175	17,982	10,193
Buildings	282,308	144,279	138,029
Equipment	205,516	181,440	24,076
Software	48,646	36,672	11,974
	565,186	380,373	184,813
Projects-in-progress	76,506	-	76,506
	641,692	380,373	261,319

6 Long-term investments

The Hospital has invested cash committed to be spent on future construction and capital projects with an investment management firm. These investments are held in short-term bond pooled funds at a fair value of \$5,973 (2023 – \$5,648).

Also included in long-term investments is the Hospital's investment in two joint ventures of \$591(2023 – \$458) (note 11).

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

7 Long-term debt

	2024 \$	2023 \$
Term loan, bearing interest at 5.97%, repayable in blended monthly payments of \$35, maturing October 2029	1,973	2,261
Term loan, bearing interest at 6.22%, repayable in blended monthly payments of \$61, maturing February 2030	3,587	4,074
	<u>5,560</u>	<u>6,335</u>
Less: Current portion	825	775
	<u>4,735</u>	<u>5,560</u>

Principal repayments of long-term debt are as follows:

	\$
2025	825
2026	877
2027	932
2028	990
2029	1,053
Thereafter	883
	<u>5,560</u>

The Hospital fixed the interest rates on all the term loans by entering into interest rate swap agreements. Interest rate swap contracts range from 5.97% to 6.22% and expire in fiscal 2030.

The Hospital has available an unsecured operating facility with a Canadian chartered bank in the amount of \$12,000. The Hospital has \$459 (2023 – \$86) in outstanding letters of credit drawn on this facility.

8 Deferred capital contributions

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

	2024 \$	2023 \$
Balance – Beginning of year	183,231	166,573
Contributions received	26,994	25,647
Amortization	(11,062)	(8,989)
	<u>199,163</u>	<u>183,231</u>

Included in the year-end balance is \$42,007 (2023 – \$66,583) in unspent donations and grants.

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

9 Employee future benefits

Healthcare of Ontario Pension Plan

Contributions made to the plan during the year by the Hospital amounted to \$21,955 (2023 – \$17,996). These amounts are included in the employee benefits expense in the statement of operations. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2023 disclosed net assets available for benefits of \$112,635,000 with pension obligations of \$102,454,000 resulting in a surplus of \$10,181,000.

Other post-employment benefit plans

The Hospital offers various non-pension post-employment benefit plans to a number of its employees.

The Hospital is responsible for 50% to 75% of the cost of extended healthcare, dental and semi-private accommodation and for 100% of the cost of group life insurance for some retirees.

Information about the Hospital's employee future benefits is as follows:

	2024 \$	2023 \$
Accrued benefit obligation – Beginning of year	10,308	11,221
Current service cost	417	464
Interest cost	474	421
Plan amendment	125	-
Amortization of net actuarial loss	(127)	(1,187)
	<u>11,197</u>	<u>10,919</u>
Benefits paid	(629)	(611)
	<u>10,568</u>	<u>10,308</u>
Ending unamortized actuarial experience gain	2,600	2,710
	<u>13,168</u>	<u>13,018</u>

Employee contributions during the year were \$120 (2023 – \$130).

The most recent actuarial valuation of the obligation was performed as at March 31, 2022.

The significant actuarial assumptions utilized in measuring the Hospital's accrued benefit obligations for the non-pension post-retirement benefit plans are as follows:

- a discount rate to determine the accrued benefit obligations of 4.6% (2023 – 3.7%);
- dental costs increasing by 5.4% (2023 – 5.1%) per annum; and
- extended healthcare costs and semi-private hospital coverage of 4.9% (2023 – 4.7%).

North York General Hospital

Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

10 Changes in non-cash components of working capital

	2024 \$	2023 \$
Accounts receivable	(3,558)	3,743
Prepaid expenses	(1,013)	145
Inventories	(443)	(682)
Other long-term asset	(945)	(619)
Accounts payable and accrued liabilities	(7,735)	17,417
Deferred revenue	166	(4,798)
Other long-term liability	514	3,353
	<hr/>	
	(13,014)	18,559

11 Related party transactions

The Foundation was established to raise funds to support the Hospital and its program and capital needs. The Foundation is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act (Canada). The Hospital is considered to have significant influence over the Foundation due to common directors on the boards. The Foundation provided capital grants during 2024 of \$14,173 (2023 – \$12,547), which have been reflected as deferred capital contributions, operational grants of \$2,747 (2023 – \$1,574), which have been recognized as revenue from ancillary operations, and also provided \$3 gifts in kind (2023 - \$nil). In addition, there is \$328 (2023 – \$611) receivable from the Foundation for reimbursement of costs incurred on its behalf.

The Hospital is party to a joint venture agreement with Proresp Inc. The joint venture, North York ProResp, provides home respiratory products and services to the community. The Hospital's share of revenue for the year was \$191 (2023 – \$82), which was recorded in ancillary operations.

The Hospital is party to a joint venture agreement with 2359158 Ontario Inc. The joint venture, North York General Assessment and Wellness Centre, provides independent medical examination services to insurance companies, employers, government organizations and the WSIB. The Hospital's share of revenue for the year was \$761 (2023 – \$367), which was recorded in ancillary operations.

12 Risk management

The Hospital is exposed to a variety of financial risks, including market risk, interest rate risk, credit risk and liquidity 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. These risks have not changed from the prior year.

Market risk

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risk to which the Hospital is exposed is interest rate risk.

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(in thousands of dollars)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Hospital. The interest bearing long-term investments have a limited exposure to interest rate risk due to their nature. The Hospital has entered into interest rate swap contracts to mitigate the interest rate risk on the long-term debt.

Credit risk

The Hospital's principal financial assets are cash and cash equivalents, accounts receivable and long-term 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 at the statement of financial position date.

The Hospital's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated based on previous experience and an assessment of the current economic environment. 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 for patients regardless of their ability to pay for services provided.

As at March 31, 2024, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	8,943	454	279	4,437

The credit risk on cash and cash equivalents and long-term investments is limited because the counterparties are institutions with high credit. Cash and cash equivalents is held in highly rated Canadian chartered banks.

Liquidity risk

Liquidity risk is the risk the Hospital will not be able to meet its financial obligations when they come due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

North York General Hospital

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(in thousands of dollars)

The table below is a maturity analysis of the Hospital's financial liabilities:

	Up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	134,055	-	-	134,055
Other long-term liability	-	9,890	-	9,890
Long-term debt (including interest)	1,156	4,590	913	6,659
	<u>135,211</u>	<u>14,480</u>	<u>913</u>	<u>150,604</u>

13 Shared services

The Hospital is a member of Mohawk Medbuy, a not-for-profit shared services organization the mandate of which is to provide supply chain services to member organizations. The objectives of Mohawk Medbuy are to maximize supply chain savings that will be reinvested in direct patient care.

The Hospital is a member of Shared Hospital Laboratory, a not-for-profit organization whose mandate is to provide laboratory services to its member organizations. During the year the Hospital paid \$nil (2023 – \$nil) to Shared Hospital Laboratory in connection with laboratory services.

14 Commitments and contingencies

- i) Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the Hospital's financial position or results of operations.
- ii) Healthcare Insurance Reciprocal of Canada (HIROC) was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. HIROC is licensed in Ontario, Manitoba, Saskatchewan, Alberta, Nova Scotia, Prince Edward Island, British Columbia, Northwest Territories, Yukon, Nunavut and Newfoundland and Labrador. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian healthcare organizations including the Hospital. Subscribers pay annual premiums, which are actuarially determined and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2024.

In fiscal 2015, the Hospital entered into an agreement with HIROC whereby HIROC continues to provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claim, previously included in the insurance premium, will be borne by the Hospital. Costs associated with claims arising prior to January 1, 2012 will be borne by HIROC. Projected costs of defending claims that arise subsequent to January 1, 2012 are based on claims defence costs incurred by HIROC in the past.

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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 that has an excess of premiums plus investment income over the obligation for its allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as at March 31, 2024.

iii) The Hospital has operating lease agreements with payments due approximately as follows:

	\$
2025	1,709
2026	1,670
2027	1,670
2028	1,681
2029	1,691
Thereafter	<u>8,442</u>
	<u>16,863</u>

15 Asset Retirement Obligations (ARO)

The Hospital's financial statements include an asset retirement obligation for legal liabilities associated with the removal or disposal of asbestos in buildings that will undergo major renovations or demolition and for disposal of fuel storage tanks. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with an average discount rate of 3.86% (2023 – 3.34%). The estimated total undiscounted future expenditures are \$8,277 (2023 - \$7,032), which are to be incurred over 22 years.

The carrying amount of the liability included in other long-term liability is as follows:

	2024 \$	2023 \$
Balance – Beginning of year	3,873	3,873
Increase in asset retirement obligation	524	-
Increase due to accretion expense	150	-
Balance – End of year	<u>4,547</u>	<u>3,873</u>