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# Financial statements of Oak Valley Health

March 31, 2024

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## Independent Auditor's Report

To the Board of Directors of  
Oak Valley Health

### Opinion

We have audited the financial statements of the Oak Valley Health, formerly the Markham Stouffville Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2024, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2024, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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.

### 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 PSAS, 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 GAAS 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 GAAS, 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 30, 2024

**Oak Valley Health**  
**Statement of financial position**  
As at March 31, 2024

	Notes	2024 \$	2023 \$
<b>Assets</b>			
Current assets			
Cash	3	66,465,980	62,334,334
Short-term investments	4	16,085,142	15,000,000
Due from MOH, OH		11,756,192	16,202,552
Accounts receivable	13	10,386,787	7,808,772
Prepaid expenses	6	4,060,119	4,355,061
Inventories		2,297,672	1,479,381
		<b>111,051,892</b>	107,180,100
Investment in joint venture	5	192,411	191,514
Capital assets	7	327,330,342	315,467,882
Other long-term assets	6	20,459,264	21,200,530
		<b>459,033,909</b>	444,040,026
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		52,767,105	54,677,203
Due to MOH, OH		28,125,460	25,086,877
Current portion of obligation under capital lease	17	228,546	—
Deferred revenue		2,024,065	2,764,838
		<b>83,145,176</b>	82,528,918
Deferred capital grants and contributions	8 and 13	291,540,849	285,819,837
Obligation under capital lease	17	995,915	—
Asset retirement obligations	16	793,626	771,355
Employee future benefits	9	5,538,700	5,333,700
		<b>382,014,266</b>	374,453,810
<b>Net assets</b>		<b>77,019,643</b>	69,586,216
		<b>459,033,909</b>	444,040,026

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

Approved by the Board of Directors

\_\_\_\_\_, Director  
 \_\_\_\_\_, Director

**Oak Valley Health**  
**Statement of changes in net assets**  
Year ended March 31, 2024

	Investment in capital assets \$ (Note 11)	Internally restricted fund \$ (Note 12)	Operating fund - unrestricted \$	2024 Total \$	2023 Total \$
<b>Balance, beginning of year</b>	<b>47,804,532</b>	<b>2,348,312</b>	<b>19,433,372</b>	<b>69,586,216</b>	73,937,736
Excess of revenue over expenses before the undernoted items	—	<b>125,635</b>	<b>13,320,936</b>	<b>13,446,571</b>	804,154
Amortization of capital assets	<b>(18,820,504)</b>	—	—	<b>(18,820,504)</b>	(17,758,560)
Amortization of deferred contributions	<b>12,829,631</b>	—	—	<b>12,829,631</b>	12,602,886
Accretion of Asset retirement obligations	<b>(22,271)</b>	—	—	<b>(22,271)</b>	—
	<b>(6,013,144)</b>	<b>125,635</b>	<b>13,320,936</b>	<b>7,433,427</b>	(4,351,520)
Purchase of capital assets	<b>30,682,964</b>	—	<b>(30,682,964)</b>	—	—
Deferred capital contributions received in current year and spent	<b>(18,550,643)</b>	—	<b>18,550,643</b>	—	—
Obligation under capital lease	<b>(1,224,461)</b>	—	<b>1,224,461</b>	—	—
Deferred capital contributions received in prior year and spent in the current year	<b>(551,064)</b>	—	<b>551,064</b>	—	—
	<b>4,343,652</b>	<b>125,635</b>	<b>2,964,140</b>	<b>7,433,427</b>	(4,351,520)
<b>Balance, end of year</b>	<b>52,148,184</b>	<b>2,473,947</b>	<b>22,397,512</b>	<b>77,019,643</b>	69,586,216

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

**Oak Valley Health**  
**Statement of operations**  
Year ended March 31, 2024

	Notes	<b>2024</b>	2023
		\$	\$
<b>Revenue</b>			
Patient income			
MOH, OH		<b>311,679,501</b>	271,336,396
Other agencies and patients		<b>44,991,113</b>	39,137,369
Amortization of deferred capital contributions - equipment	8	<b>3,887,395</b>	4,210,437
Investment income	5	<b>3,219,119</b>	1,646,077
Other income	13	<b>23,353,668</b>	16,993,142
Special programs	14(a)	<b>11,178,735</b>	10,004,491
		<b>398,309,531</b>	343,327,912
<b>Expenses</b>			
Salaries and wages		<b>186,971,555</b>	169,270,933
Medical staff remuneration		<b>28,389,640</b>	26,810,395
Employee benefits		<b>52,355,743</b>	46,011,119
Medical and surgical supplies		<b>18,254,355</b>	17,653,484
Drugs		<b>23,520,271</b>	14,216,579
Other supplies and expenses	6(b)	<b>59,665,097</b>	53,900,343
Amortization of capital assets equipment		<b>7,167,471</b>	6,552,931
Special programs	14(a)	<b>11,841,175</b>	10,450,468
		<b>388,165,307</b>	344,866,252
Excess/(deficiency) of revenue over expenses before the undernoted items		<b>10,144,224</b>	(1,538,340)
Amortization of deferred capital contributions - buildings	8	<b>8,942,236</b>	8,392,449
Amortization of capital assets - buildings		<b>(11,653,033)</b>	(11,205,629)
<b>Excess/(deficiency) of revenue over expenses for the year</b>		<b>7,433,427</b>	(4,351,520)

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

**Oak Valley Health**  
**Statement of cash flows**  
Year ended March 31, 2024

	Notes	2024 \$	2023 \$
<b>Operating activities</b>			
Excess/(deficiency) of revenue over expenses for the year		7,433,427	(4,351,520)
Items not affecting cash			
Amortization of capital assets		18,820,504	17,758,560
Amortization of deferred contributions	8	(12,829,631)	(12,602,886)
Employee future benefits expense	9	353,300	659,200
Employee future benefits paid	9	(148,300)	(233,500)
Accretion on asset retirement obligation		22,271	—
		<b>13,651,571</b>	1,229,854
Changes in non-cash working capital balances			
Due from MOH, OH		4,446,360	(4,747,405)
Accounts receivable		(2,578,015)	1,410,919
Prepaid expenses		294,942	249,631
Inventories		(818,291)	89,263
Accounts payable and accrued liabilities		(1,910,098)	10,598,047
Due to MOH, OH		3,038,583	6,367,033
Deferred revenue		(740,773)	(3,754,541)
		<b>15,384,279</b>	11,442,801
<b>Financing activities</b>			
Other long-term assets	6	741,266	711,682
Acquisition of obligation under capital lease	3 and 17	1,286,070	—
Repayment of obligation under capital lease	17	(61,609)	—
Deferred grants and contributions received		18,550,643	5,128,044
		<b>20,516,370</b>	5,839,726
<b>Capital activities</b>			
Purchase of capital assets		(30,682,964)	(8,865,386)
Recognition of asset retirement obligations		—	771,355
		<b>(30,682,964)</b>	(8,094,031)
<b>Investment activities</b>			
Purchase of short term investments	4	—	(15,000,000)
Interest from short term investments	4	(1,085,142)	—
Investment (gain)/loss on joint venture		(897)	7,229
		<b>(1,086,039)</b>	(14,992,771)
Change in cash during the year		4,131,646	(5,804,275)
Cash, beginning of year		62,334,334	68,138,609
<b>Cash, end of year</b>		<b>66,465,980</b>	<b>62,334,334</b>

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



## **1. Operations**

Oak Valley Health, formerly the Markham Stouffville Hospital, (the "Hospital") is principally involved in providing hospital based health-care services to the southeast York Region and northwest Durham Region on two sites in Markham and Uxbridge. 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 primarily funded by the Province of Ontario in accordance with the 2008 Hospital Service Accountability Agreement and its subsequent amending agreements up to March 31, 2024, between the Hospital and Ontario Health.

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of the Markham Stouffville Hospital Foundation (MSH Foundation) and Uxbridge Hospital Foundation (UXB Foundation), which are related non-controlled charitable organizations (Note 13).

## **2. Summary of significant accounting policies**

### *Basis of presentation*

These financial statements have been prepared by Hospital management in accordance with Canadian public sector accounting standards, including accounting standards that apply to government not-for-profit organizations.

These financial statements reflect fund accounting and separately disclose the activities of the following funds maintained by the Hospital:

- Operating fund – the excess of revenue over expenses accumulated from the ongoing operations of the Hospital since its inception, less amounts invested in capital assets and internally restricted funds.
- Internally restricted fund - these funds represent internally restricted funds designated by the Board of Directors (the "Board"). Investment income earned by these funds, which is recorded in the operating fund, is also considered Board designated. The funds currently comprise an Education Bursary Fund, which holds funds set aside by the Board to provide employees with financial support for approved educational programs.
- Investment in capital assets - the resources the Hospital has invested in its capital assets, less any related unamortized capital grants and contributions, and asset retirement obligations.

### *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 eligible 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 Ontario Ministry of Health through OH. Operating grants with no restriction are recognized as revenue in the year to which they relate. Grants approved but not received at the end of year are accrued. Where a portion of a grant relates to a future year or has not been spent in accordance with the terms of the grant, it is deferred and recognized in the subsequent year. These financial statements reflect management's best estimates of funding arrangements with the MOH and OH. The Hospital has entered into an accountability agreement through OH, which requires the Hospital to meet certain financial and non-financial performance indicators.

## **2. Summary of significant accounting policies (continued)**

### *Revenue recognition (continued)*

Grants and funding authorized by the MOH, OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, the conditions necessary to earn the grants and/or funding. For MOH/OH funding with the stipulated requirement that the Hospital provide specific services, and these services have not yet been provided, the funding is deferred until such time as the service are performed. In the event that the services are not performed in accordance with the funding requirement, excess funding could be recovered by the MOH or OH. The recognition of revenue associated with such grants and funding requires management to make estimates and assumptions based on the best information available at the time of the preparation of these financial statements. Final grants and funding approved is subject to the funders' reconciliation process and could differ from these estimates.

Grants and funding for which revenue has been earned but not received as at the end of the fiscal year is recognized as accounts receivable. Where a portion of a grant or funding relates to performance requirements in a future fiscal period, it is deferred and included as deferred revenue.

Investment income is recognized as revenue when earned.

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

Revenue from transactions with performance obligations is recognized when the Hospital satisfies the performance obligations.

### *Cash*

Cash represents cash on hand and cash in the bank.

### *Short-term investments*

Short-term investments are short-term highly liquid investments that are readily convertible to known amounts of cash. They are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes.

### *Joint ventures*

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.

### *Contributed materials and services*

A number of volunteers contribute a significant amount of 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 notes. Contributed materials are recorded, when received, at fair value.

## **2. Summary of significant accounting policies (continued)**

### *Inventories*

Inventories consist primarily of hospital supplies held for patient care and are stated at the lower of cost and replacement value. Cost is determined primarily on a first-in, first-out basis.

### *Capital assets*

Capital assets are recorded at cost. Expenditures that substantially increase the useful lives of the existing capital assets are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are expensed as incurred.

Amortization is provided on a straight-line basis at annual rates based on the estimated useful lives of the assets:

Buildings	25-40 years
Furniture and major equipment	5-20 years
IT equipment and software	3-7 years

Projects-in-progress are transferred to the appropriate capital asset category once the particular project is complete and the capital asset is ready for use. Amortization will commence from that date on a straight-line basis over the expected useful life of the capital asset.

### *Asset retirement obligations*

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Hospital's capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- (a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

ARO's are recognized by the Hospital in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of capital assets when those obligations result from the acquisition, construction, development, or normal operation of the capital assets. The obligations are measured initially at management's best estimate of the present value of the estimated future cash flows required to settle the retirement obligation. For capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on the same basis as the related capital asset, and accretion expense is included in the statement of operations.

### *Impairment of long-lived assets*

When conditions indicate a tangible capital asset no longer contributes to the Hospital's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset will be reduced to reflect the decline in the asset's value.

**2. Summary of significant accounting policies (continued)**

*Deferred capital grants and contributions*

Deferred grants and contributions represent the unamortized portion of grants and contributions that were provided for the purchase of capital assets and certain long-term assets. Deferred contributions are recognized as revenue in the year in which the related expenditures are incurred or amortized into revenue at a rate corresponding to the amortization rate of the related capital assets purchased with the funding. Deferred grants are recognized as revenue when the related expenses are incurred.

*Pension plan*

Substantially all of the 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. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

*Employee future benefits*

The Hospital provides certain healthcare, dental, life insurance and other benefits for certain retired employees. The cost of future benefits is determined using the projected benefit method pro-rated on service actuarial cost method and various assumptions. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed in the period of the plan amendment.

*Financial instruments*

Financial assets and liabilities are recognized when the Hospital becomes a party to the contractual provisions of the instrument. The Hospital's financial instruments consist of cash, accounts receivable, amounts due from/to the MOH and Ontario Health, and accounts payable and accrued liabilities.

The Hospital's financial instruments are measured as follows:

Financial instrument	Measurement
Cash	Fair value
Short-term Investments	Fair value
Accounts receivable	Amortized cost
Due from/to MOH, OH	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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 assets or liabilities 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 instruments being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

**2. Summary of significant accounting policies (continued)**

*Financial instruments (continued)*

The Hospital's short-term investments in Term Deposits is considered a Level 2 fair value measurement.

*Use of estimates*

In preparing the financial statements in accordance with Canadian public sector accounting standards, 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 subject to significant estimates include revenue recognition, accounts receivable, asset retirement obligations, accrued liabilities, deferred revenue and employee future benefits.

The revenue recognized from the MOH and OH requires some 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 OH. 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, OH has the right to adjust funding received by the Hospital. OH is not required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of OH 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.

**3. Cash**

Cash is comprised of the following:

	<b>2024</b>	2023
	\$	\$
Unrestricted cash	<b>63,853,463</b>	58,325,315
Restricted cash for other programs (Note 14(b))	<b>2,612,517</b>	4,009,019
	<b>66,465,980</b>	62,334,334

The Hospital has available an unsecured revolving line of credit with a limit of \$30,000,000 held at the TD Commercial Bank, which bears interest at a rate of prime less 0.75%. As at March 31, 2024 \$1,224,461 (nil in 2023) had been drawn against this facility.

**4. Short-term investments**

As at March 31, 2024, the Hospital held short-term investment of \$16,085,142 (\$15,000,000 in 2023) in cashable Term Deposits with TD Commercial Banking. The investments are structured under a laddered approach to ensure liquidity and the ability to capitalize on current rates. Interest rates for the investments are adjusted based on prime rate and are commercially competitive and range from 5.35% to 5.75% per annum. The investments are auto-renewal upon their mature dates if there is no foreseeable liquidity risk.

**5. Investment in joint venture**

The Hospital has a 50% interest in Markham Stouffville ProResp Inc. (ProResp), a supplier of home oxygen and other respiratory care products. For the year ended March 31, 2024, net investment gain of \$897 (net investment loss of \$7,229 in 2023) has been included in the statement of operations as investment income. During the year, the Hospital provided respiratory therapy services to ProResp and charged \$36,000 (\$36,000 in 2023) for its services. The Hospital provided management services in return for a management fee. Management fee income of \$75,000 (\$62,000 in 2023) has been included in the statement of operations as investment income.

**6. Other long-term assets**

Other long-term assets comprise:

	2024 \$	2023 \$
Deposit with the Corporation of the City of Markham (a)	1,278,500	1,278,500
Prepayment to Markham District Energy (MDE) (b)	19,922,030	20,633,712
	<b>21,200,530</b>	21,912,212
Less: current portion (included in prepaid expenses)	741,267	711,682
	<b>20,459,263</b>	21,200,530

- (a) On August 21, 2009, the Hospital deposited \$1,278,500 with the Corporation of the City of Markham in lieu of a letter of credit pursuant to the Markham Stouffville Hospital site plan control agreement dated December 4, 1987, and amended August 21, 2009. The deposit accrues interest at the prime rate less 1.85% and will be returned to the Hospital on satisfactory completion of the Markham site expansion project and related site works.
- (b) On September 1, 2012, the Hospital entered into a 30-year Energy Services Agreement (ESA) with Markham District Energy (MDE) for the supply, sale and delivery of energy services to the Hospital. MDE is a non-related party. Under the terms of the ESA, the Hospital was required to provide an upfront contribution, which will reduce fixed capacity charges over the life of the ESA.

The total prepayment, including unrecoverable Harmonized Sales Tax (HST), was \$26,628,661 and is recognized to other supplies and expenses on a monthly basis in accordance with a fixed capacity cost avoidance schedule provided by MDE.

**7. Capital assets**

	Cost \$	Accumulated amortization \$	2024 Net book value \$	2023 Net book value \$
Land	8,287,625	—	8,287,625	8,287,625
Buildings	411,715,651	154,574,935	257,140,716	254,408,924
Furniture and major equipment	83,402,587	59,239,944	24,162,643	18,648,444
IT equipment and software	23,683,387	17,264,227	6,419,160	4,902,003
Projects-in-progress	31,320,198	—	31,320,198	29,220,886
	<b>558,409,448</b>	<b>231,079,106</b>	<b>327,330,342</b>	315,467,882

**7. Capital assets (continued)**

*Projects-in-progress*

Projects-in-progress includes costs for several IT projects related to system implementation and enhancing financial infrastructure totaling \$5,230,484 (\$1,535,801 in 2023), redevelopment costs related to implementing facility development of \$4,197,592 (\$2,118,888 in 2023), and other costs related to ongoing capital projects and equipment of \$21,892,122 (\$25,566,197 in 2023).

**8. Deferred capital grants and contributions**

During the year, tangible capital assets with a net book value of nil were determined to be impaired and written off during the year.

Deferred capital grants and contributions related to capital assets represent the unamortized and unspent amounts of donations and grants received for the purchase of capital assets and long-term assets.

	<b>2024</b>	2023
	\$	\$
Balance, beginning of year	<b>285,819,837</b>	293,294,679
Amortized to revenue during the year	<b>(12,829,631)</b>	(12,602,886)
Amounts received during the year	<b>18,550,643</b>	5,128,044
Balance, end of year	<b>291,540,849</b>	285,819,837
Deferred grants and contributions comprise		
Grant received for long-term prepaid assets (Note 6)	<b>18,376,778</b>	18,927,842
Grants and contributions for capital assets	<b>273,164,071</b>	266,891,995
	<b>291,540,849</b>	285,819,837

**9. Employee future benefits**

*Pension plan*

The Hospital is a member of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi employer defined benefit pension plan. HOOPP members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings.

The HOOPP's assets consist of investment grade securities. Market and credit risk on these securities are managed by the HOOPP by placing plan assets in trust and through the HOOPP investment policy. The most recent actuarial valuation as at December 31, 2023 indicated the plan is 115% funded.

Pension expense is based on HOOPP management's best estimates, in consultation with its actuaries, of the amount, together with the 6.9% of annualized earnings contributed by employees (9.2% of annualized earnings above the respective year's maximum pensionable earnings), required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the HOOPP. The funding objective is for employer contributions to the HOOPP to remain a constant percentage of employee's contributions. The employer currently contributes 126% of the employee's contribution.

Substantially all the employees of the Hospital are members of HOOPP. Contributions to HOOPP made during the year by the Hospital on behalf of its employees amounted to \$16,297,146 (\$13,717,153 in 2023) and are included in employee benefits expense or special programs expense, as appropriate, in the statement of operations.

**9. Employee future benefits (continued)**

*Post-employment future benefits*

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

Expenses relating to post-employment future benefits are included in employee benefits expense in the statement of operations.

Information regarding the Hospital's post-employment future benefits is as follows:

	<b>2024</b>	2023
	\$	\$
Accrued benefit obligation, beginning of year	<b>3,277,600</b>	5,436,500
Current service cost	<b>254,600</b>	355,400
Plan amendment in year	<b>33,900</b>	
Interest cost	<b>164,300</b>	212,800
Benefits paid	<b>(148,300)</b>	(233,500)
Actuarial experience gains	—	(2,493,600)
Accrued benefit obligation, end of year	<b>3,582,100</b>	3,277,600
Unamortized net actuarial experience gains/(losses)	<b>1,956,600</b>	2,056,100
Accrued benefit liability, end of year	<b>5,538,700</b>	5,333,700

	<b>2024</b>	2023
	\$	\$
Employee future benefits expense		
Accrual for services	<b>254,600</b>	355,400
Interest on accrued benefits	<b>164,300</b>	212,800
Amortization of net actuarial losses	<b>(65,600)</b>	91,000
Net benefit expense	<b>353,300</b>	659,200

*Post-employment future benefits*

The significant actuarial assumptions adopted in measuring the Hospital's post-employment future benefits liability for other post-retirement benefits are as follows:

	<b>2024</b>	2023
Discount rate	<b>4.75%</b>	4.75%
Dental benefit cost escalation	<b>5.36%</b>	5.14%
Expected average remaining life to retirement	<b>15.9 years</b>	15.9 years
Extended health-care trend rates	<b>See (a)</b>	See (a)

- (a) Drugs: 4.91% per year in 2024 grading down over 17 years to an ultimate rate of 4.05% per year. Other Medical and Hospital: 4.05% per year. Vision: 0.00% per year.



**10. Contingencies and commitments**

- (a) The nature of the Hospital’s activities is such that from time to time, the Hospital is named in lawsuits related to its activities. With respect to claims as at March 31, 2024, it is management’s position that the Hospital has valid defenses and appropriate insurance coverage in place. Accordingly, no provision for loss has been made in these financial statements. In management’s view, these claims should not have a material adverse effect on the financial position of the Hospital.

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for years in which they were members. No negative reassessments have been made for the year ended 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.

- (b) Through to June 23, 2017, the Hospital was an equity member of the Central Ontario Healthcare Procurement Alliance (COHPA), a not-for-Profit shared service organization that has centralized contract management and purchasing/accounts payable transactions. As of June 23, 2017, COHPA integrated with Plexxus, another not-for-profit shared service organization. The equity membership in COHPA was dissolved and the Hospital now purchases services from Plexxus as a shared services customer. As of April 1, 2024, Plexxus integrated with Mohawk Medbuy, another not-for-profit shared service organization. The equity membership in COHPA and Plexxus were dissolved and the Hospital now purchases services from Mohawk Medbuy as a shared services customer. The Hospital letter of guarantee related to security of the TD Bank Financial Group loan on behalf of COPHA, dated February 4, 2009 has been discharged. During the year, the Hospital paid \$1,361,250 (\$1,316,047 in 2023) in purchased service fees.

**11. Investment in capital assets**

The fund balance invested in capital assets is calculated as follows:

	<b>2024</b>	2023
	\$	\$
Capital assets (Note 7)	<b>327,330,342</b>	315,467,882
Deferred grants for capital assets (Note 8)	<b>(273,164,071)</b>	(266,891,995)
Long-term debt	<b>(1,224,371)</b>	—
Asset retirement obligations (Note 16)	<b>(793,626)</b>	(771,355)
	<b>52,148,274</b>	47,804,532

**12. Internally restricted fund**

Internally restricted funds consist of the Education Bursary Fund, which was established by the Board of Directors for the purpose of funding further education and professional development opportunities for Hospital staff. The fund utilizes only realized gains and interest earned above the initial allocation. During the year, investment income of \$125,635 (\$108,625 in 2023) was recorded in the internally restricted fund.

**13. Related party transactions**

- (a) The Hospital is related to the MSH Foundation and the UXB Foundation. Both foundations raise funds to support capital, education and other specific projects of the Hospital. Both foundations are incorporated without share capital under the laws of the Province of Ontario and are charitable organizations registered under the Income Tax Act (Canada). The Hospital is considered to have significant influence over both foundations due to the common directors on the boards, but does not have control. As a result, these financial statements do not include the assets, liabilities, and activities of the foundations, which, although related to the Hospital, are not controlled by it.
- (b) During the year, the Hospital received from the MSH Foundation \$13,144,453 (\$3,959,816 in 2023) for the purchase of capital assets, which is included in deferred capital grants and contributions for the year. In addition, the Hospital received \$555,547 (\$440,205 in 2023) of operating grants, which are included as other income in the statement of operations. Included in accounts receivable is \$35,592 (\$13,078 in 2023) due from the MSH Foundation as a reimbursement of costs paid or payable on behalf of the MSH Foundation. The Hospital provides the MSH Foundation's premises on a rent free basis, the value of which has not been recorded in these financial statements. In turn, the MSH Foundation, in its ongoing fundraising activities, provides the Hospital with public relations services, the value of which has not been recorded in these financial statements. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.
- (c) During the year, the Hospital received \$1,064,430 (\$175,672 in 2023) from the UXB Foundation for the purchase of capital assets, which is included in deferred capital grants and contributions. Included in accounts receivable is \$57,189 (\$23,455 in 2023) due from the UXB Foundation as a reimbursement of costs paid or payable on behalf of the UXB Foundation.

**14. Special programs and other programs**

- (a) Special programs include programs funded by the MOH, the Ministry of Children, Community and Social Services the Regional Municipality of York and the University of Toronto.  
  
Generally, funding is provided to cover expenses. In some fiscal years, these may be a deficit, which is to be covered by the Hospital.
- (b) Other programs are those programs where the Hospital acts as paymaster on behalf of the MOH or OH. These programs include Midwifery Services of Durham and other consultancy services. As the Hospital is the paymaster for these programs, no amounts are recorded on the statement of operations. Gross funding and payments related to these items are:

	<b>2024</b>	2023
	\$	\$
Funding	<b>3,044,658</b>	3,451,945
Payments	<b>(3,044,658)</b>	(3,451,945)
	—	—

**15. Risk management**

*Financial risks*

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

**15. Risk management (continued)**

*Credit risk*

Credit risk arises from cash held with financial institutions, and credit exposures to customers on outstanding accounts receivable balances. The Hospital does not have any significant past due accounts receivable that are not provided for. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major Canadian financial institution that has a high credit rating assigned to it by international credit rating agencies, minimizing any potential exposure to credit risk.

*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 funds to meet current and foreseeable financial requirements.

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

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable					
accrued liabilities	46,135,791	6,859,861	—	—	52,995,652
Due to MOH, OH	—	28,125,459	—	—	28,125,459

*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 the fair value is observable:

The following table presents the financial instruments recorded at fair value in the Statement of financial position, classified using the fair value hierarchy described above:

	Level 1 \$	Level 2 \$	Level 3 \$	2024 Total \$
Cash	<b>66,465,980</b>	—	—	<b>66,465,980</b>

**16. Asset retirement obligations**

The Hospital has buildings containing asbestos requiring remediation upon decommissioning. The *Canadian Environmental Protection Act* (CEPA) governs the protection of the environment and human health with respect the hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the "Prohibition of Asbestos and Products Containing Asbestos Regulations" which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

**16. Asset retirement obligations (continued)**

The estimated liability is the present value of the estimated future cash flows required to settle the asset retirement obligations is estimated to be \$793,626 (\$771,350 in 2023).

The present value of the obligation was calculated using a discount rate of 2.90%.

**17. Obligation under capital lease**

The Hospital has entered into a capital lease obligation for equipment with an interest rate of 6.25% and ending in fiscal year 2029.

The following is a schedule of minimum lease payments required until the end of the lease.

	\$
2025	298,600
2026	298,600
2027	298,600
2028	298,600
2029	<u>223,959</u>
	1,418,359
Less: amount representing interest	<u>193,898</u>
	1,224,461
Less: current portion	<u>228,546</u>
	<u>995,915</u>

The obligation under capital lease is secured by the specific leased equipment.

**18. Adoption of new accounting standards**

During the year the Hospital adopted PS 3400 Revenue. The adoption of this standard has no impact on the financial statements as the Hospital's policies were already compliant with the requirements of the new standard.