Consolidated financial statements
Women's College Hospital

March 31, 2023

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Independent Auditor's Report

To the Board of Directors of
Women's College Hospital

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Women's College Hospital (the "Hospital"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated 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, 2023, and the results of its operations, changes in its 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.

Other matter

The financial statements of the Hospital for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on June 7, 2022.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Hospital to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
June 7, 2023

Women's College Hospital
Consolidated statement of financial position
As at March 31, 2023
(In thousands of dollars)

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash		**37,957**	54,978
Restricted cash and cash held for others	3	**7,340**	6,326
Investments		**31,643**	16,243
Accounts receivable	12	**24,317**	19,727
Inventories and prepaid expenses		**1,668**	1,684
		102,925	98,958
Long-term accounts receivable	12	**1,100**	2,200
Capital assets	4	**300,746**	313,108
		404,771	414,266
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**35,581**	30,843
Deferred revenue	6	**16,892**	13,776
Deferred research grants	7	**15,401**	17,571
Deferred capital contributions	10	**4,085**	3,990
Long-term debt	8	**8,001**	9,101
		79,960	75,281
Asset retirement obligation	5	**385**	—
Employee future benefit obligations	9	**3,888**	3,665
Deferred capital contributions	10	**135,447**	141,908
Long-term debt	8	**133,143**	141,144
		352,823	361,998
Contingencies and commitments	11		
Net assets			
Investment in capital assets		**26,355**	25,651
Unrestricted		**25,593**	26,617
		51,948	52,268
		404,771	414,266

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

Approved by the Board of Directors

H McPherson
________________________, Director

________________________, Director

Women's College Hospital

Consolidated statement of operations

Year ended March 31, 2023

(In thousands of dollars)

	Notes	**2023**	2022
		$	$
Revenue			
Province of Ontario		**157,176**	155,604
Patient revenue		**1,729**	1,876
Research grants	7	**14,236**	12,521
Ancillary services and other sources		**14,441**	13,328
Investment income		**2,249**	340
Amortization of deferred capital contributions	10	**7,370**	7,363
		197,201	191,032
Expenses			
Salaries, wages and benefits		**120,290**	115,353
Medical and surgical supplies and drugs		**5,547**	5,050
Other supplies and expenses		**42,622**	41,395
Amortization of capital assets		**16,472**	16,157
Interest on long-term debt		**12,205**	12,111
		197,136	190,066
Excess of revenue over expenses for the year		**65**	966

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

Women's College Hospital

Consolidated statement of changes in net assets

Year ended March 31, 2023
(In thousands of dollars)

	Notes	**Investment in capital assets**	**Unrestricted**	**2023 Total**	2022 Total
		$	**$**	**$**	$
Balance, beginning of year		**25,651**	**26,617**	**52,268**	51,302
Adjustment on adoption of PS 3280 Asset Retirement Obligations	2	**—**	**(385)**	**(385)**	—
		25,651	**26,232**	**51,883**	51,302
(Deficiency) excess of revenue over expenses for the year		**(2,201)**	**2,266**	**65**	966
Internally funded capital assets		**2,905**	**(2,905)**	**—**	—
Balance, end of year		**26,355**	**25,593**	**51,948**	52,268

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

Women's College Hospital

Consolidated statement of cash flows

Year ended March 31, 2023

(In thousands of dollars)

	Notes	2023 $	2022 $
Operating activities			
Excess of revenue over expenses for the year		**65**	966
Items not involving cash			
Asset retirement obligation		**385**	—
Amortization of capital assets		**16,472**	16,157
Amortization of deferred capital contributions		**(7,370)**	(7,363)
Employee future benefit obligations		**223**	258
Adjustment on adoption of PS 3280			
Asset Retirement Obligations	2	**(385)**	—
Investment income reinvested		**(683)**	(15)
		8,707	10,003
Changes in non-cash working capital balances			
Accounts receivable		**(3,490)**	984
Inventories and prepaid expenses		**16**	345
Accounts payable and accrued liabilities		**4,738**	5,894
Deferred revenue		**3,116**	(1,776)
Deferred research grants		**(2,170)**	(182)
		2,210	5,265
		10,917	15,268
Capital activity			
Purchase of capital assets		**(4,110)**	(2,875)
Financing activities			
Purchase of short term investments		**(31,000)**	—
Proceeds from short term investments		**16,283**	—
Restricted cash	3	**(1,014)**	(1,119)
Capital contributions received	10	**1,004**	1,770
Repayment of long-term debt	8	**(9,101)**	(6,901)
		(23,828)	(6,250)
(Decrease) increase in cash during the year		**(17,021)**	6,143
Cash, beginning of year		**54,978**	48,835
Cash, end of year		**37,957**	54,978

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

1. Operations

Women's College Hospital (the Hospital) is incorporated without share capital under the laws of Ontario. The Hospital is an independent public ambulatory care teaching hospital, with a primary focus on women's health. As an academic health-care centre affiliated with the University of Toronto, the Hospital supports research in women's health and provides training to health-care providers within an ambulatory setting. 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.

2. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include the operations and the financial results of the Hospital and the Academic Family Health Team (AFHT), which the Hospital exercises control over and operates as part of the Hospital's Family Practice Health Centre. Revenue and expenses incurred in the ordinary course of business between consolidated entities and all intercompany balances as at the end of the fiscal year have been eliminated on consolidation. The AFHT is a corporation without share capital under the laws of Ontario, devoted to patient care, education and research through an inter-disciplinary team of health-care professionals.

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

These consolidated financial statements do not include the assets, liabilities and activities of the following non-controlled not-for-profit entities:

- Women's College Hospital Foundation (the Foundation);
- Women's College Health Research; and
- The Association of Volunteers, Women's College Hospital.

Adoption of new accounting policy

PS 3280, Asset retirement obligations

Effective April 1, 2022, the Hospital adopted PS 3280, *Asset Retirement Obligations* using the modified retroactive application method. Under this method, the Hospital recognized:

- A liability for any existing asset retirement obligations, adjusted for accumulated accretion;
- An asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- Accumulated amortization on that capitalized cost; and
- An adjustment to the opening balance of the accumulated surplus.

As the asset retirement obligation relates to assets which have been fully amortized, the liability was fully recorded against the opening balance of accumulated surplus.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Adoption of new accounting policy (continued)

PS 3280, Asset retirement obligations (continued)

The change follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. Comparative figures as at and for the year ended March 31, 2022 have been restated. The impact of restatement to comparative figures is as follows:

	As previously reported March 31, 2022 $	Adoption adjustment $	As restated March 31, 2022 $
Consolidated statement of financial position			
Asset retirement obligation	—	385	385
Net assets – Unrestricted	26,617	(385)	26,232

Revenue recognition

The Hospital follows the deferral method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded. Externally restricted contributions are deferred when initially recorded and recognized as revenue in the year in which the related expenses are incurred or when performance obligation have been fulfilled by the Hospital. Contributions restricted for specific capital expenditures are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health (MOH) and Ontario Health (OH). Operating grants are recorded as revenue in the year to which they relate. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year. MOH and OH grants that are authorized but not received at the end of the year are accrued if there are no further eligibility criteria or stipulations to be met by the Hospital.

Inventories

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital projects in progress are amortized when they are substantially complete and ready for productive use. When capital assets no longer contribute to the Hospital's ability to provide services, their carrying amounts are written down to their residual value.

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates as provided by MOH guidelines:

Buildings and leasehold improvements	15 – 30 years
Equipment	7 – 20 years
Software	3 – 5 years

2. Summary of significant accounting policies (continued)

Asset retirement obligations

Asset retirement obligations ("AROs") are provisions for legal obligations for the retirement of the Hospital's tangible 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 tangible 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.

Liabilities are recognized by the Hospital in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible 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 tangible 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 asset, and accretion expense is included in the consolidated statement of operations.

Contractual obligations

Contractual obligations, such as lease contracts for building space or land, may contractually obligate the Hospital to an ARO. There may be costs incurred by the Hospital at the end of the lease in order to meet that contractual obligation, such as costs to remove leasehold improvements, and therefore are considered to be asset retirement obligations.

Employee future benefit obligations

The Hospital accrues its obligations under employee benefit plans and the related costs are as follows:

Multi-employer plan

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer plan. The plan provides pensions based on length of service and the best five years' average earnings. Contributions made to HOOPP are expensed as funded, as the Hospital has adopted defined contribution plan accounting principles for the plan because insufficient information is available to apply defined benefit plan accounting principles.

2. Summary of significant accounting policies (continued)

Employee future benefit obligations (continued)

Employee future benefits

The Hospital provides certain health-care, dental, life insurance and other benefits for certain retired employees. The Hospital accrues its obligations under non-pension employee benefits as employees render service. The costs of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and based on management's best estimate assumptions of retirement ages of employees and expected health-care costs. Actuarial gains (losses) are amortized over the average remaining service period of the active employees. Past service costs are expensed when incurred. The accrued benefit obligation related to employee benefits is discounted using current interest rates based on the Hospital's cost of borrowing. Adjustments arising from plan amendments are recognized in the year the plan amendments occur.

Sick days that accumulate, but do not vest, are accrued as an employee benefit obligation.

Financial instruments

The Hospital's financial instruments consist of cash, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities and long-term debt. The Hospital's investments are held in fixed income securities. The Hospital's financial instruments are initially recognized at fair value and then subsequently measured as follows:

Assets/liabilities	Measurement category
Cash	Fair value
Restricted cash	Fair value
Investments	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Asset retirement obligation	Fair value
Long-term debt	Amortized cost

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.

Cash is measured as Level 1 financial instruments.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

A portion of the revenue recognized from MOH and OH 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 MOH and OH for the year ended March 31, 2023. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations as set out in the agreements or in specific funding letters, MOH and OH have the right to adjust funding received by the Hospital. 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 consolidated financial statements, the amount of MOH and OH funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management's best estimates of amounts relating to funding that are reasonably assured of being received.

In addition to the revenue recognized from the MOH and the OH, accounts requiring significant estimates also include the value of the obligations related to employee future benefits. Employee future benefit obligations (note 9) 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.

Other amounts that use estimates include capital assets, collectibility of accounts receivable, accrued and contingent liabilities and deferred revenue. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the year in which they are known.

3. Restricted cash and cash held for others

	2023	2022
	$	$
Restricted cash	**4,908**	4,282
Cash held for others	**2,432**	2,044
Restricted cash and cash held for others	**7,340**	6,326

Restricted cash includes physician practice plan funds that are administered by the Hospital on behalf of the Department of Medicine, with a corresponding liability.

Cash held for others includes funds restricted for specific purpose and held in trust on behalf of clinical groups.

(In thousands of dollars)

4. Capital assets

	Cost $	Accumulated amortization $	2023 Net $
Land	**2,200**	**—**	**2,200**
Buildings and leasehold improvements	**417,843**	**132,380**	**285,463**
Equipment and information systems	**66,551**	**53,468**	**13,083**
	486,594	**185,848**	**300,746**

	Cost $	Accumulated amortization $	2022 Net $
Land	2,200	—	2,200
Buildings and leasehold improvements	417,705	118,051	299,654
Equipment and information systems	62,579	51,325	11,254
	482,484	169,376	313,108

5. Asset retirement obligations

The estimated ARO liability is the present value of the estimated future cash flows required to settle the asset retirement obligations. As at March 31, 2023, the total liability is estimated at $385 ($385 in 2022 on first time adoption).

6. Deferred revenue

	2023 $	2022 $
Deferred revenue – beginning of year	**13,776**	15,552
Contributions received/accrued	**5,603**	6,081
Transfers (out)	**—**	(4,820)
Revenue recognized	**(2,487)**	(3,037)
Deferred revenue – end of year	**16,892**	13,776

7. Deferred research grants

Deferred research grants represent externally restricted, unspent resources that are related to subsequent years. Changes in the deferred research grants are as follows:

	2023 $	2022 $
Deferred research grants – beginning of year	**17,571**	17,753
Contributions received/accrued	**15,686**	15,629
Research grant revenue recognized	**(14,236)**	(12,521)
Other revenue recognized	**(3,620)**	(3,290)
Deferred research grants – end of year	**15,401**	17,571

(In thousands of dollars)

8. Long-term debt

Total long-term debt comprises the following:

	2023 $	2022 $
Hospital redevelopment debt	**138,944**	145,845
Bank facility debt	**2,200**	4,400
	141,144	150,245
Less: Current portion	**8,001**	9,101
	133,143	141,144

Hospital redevelopment debt

The consolidated financial statements reflect an obligation associated with the redevelopment of the Hospital. In June 2010, the Hospital entered into a Development Accountability Agreement with the MOH to support the redevelopment project. The funding of the total construction costs and related obligation are shared between the MOH at approximately 90% and the Hospital at approximately 10%. The Hospital paid its full obligation at substantial completion in September 2015 and the MOH's obligation, consisting of principal and interest, is to be paid over the remaining term, which ends May 2043.

The debt bears interest at 6.03% based on the initial debt of $203,123, is repayable in monthly blended payments of $1,506 on a straight-line basis and matures on May 14, 2043.

During the year ended March 31, 2023, interest expense of $11,173 ($11,173 in 2022) was included in expenses in the consolidated statement of operations.

Principal and interest payments due within each of the next five years and thereafter are noted below:

	Debt $	Interest $
2024	6,901	11,173
2025	6,901	11,173
2026	6,901	11,173
2027	6,901	11,173
2028	6,901	11,173
Thereafter	104,439	169,687
	138,944	225,552

Bank facility debt

The Hospital has a credit agreement with the bank that financed payments related to substantial completion of the redevelopment project. Under the credit agreement, $49,100 was provided to the Hospital. During the year, $2,200 was paid (nil in 2022). The remaining funds will be repaid between April 2023 and March 2025 using future grants from the Foundation.

The debt bears interest at 3.2%. During the year ended March 31, 2023, interest expense of $103 ($141 in 2022) was included in expenses in the consolidated statement of operations.

(In thousands of dollars)

8. Long-term debt (continued)

Bank facility debt (continued)

The obligation requires payments as noted below:

	$
2024	1,100
2025	1,100
	2,200

Credit facilities

The Hospital has $10,000 available through unsecured lines of credit to facilitate operations and equipment purchases. As at March 31, 2023, nil is owing on these lines of credit (nil in 2022).

9. Employee future benefit obligations

Multi-employer plan

Contributions made to the multi-employer plan during the year by the Hospital amounted to $5,452 ($5,354 in 2022). These amounts are included in the salaries, wages and benefits expense in the consolidated 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 actuarial valuation of the plan as at December 31, 2022 indicates the plan is 117% (120% in 2021) funded.

Non-vested sick leave

The Hospital provides sick leave benefits to certain employee groups. All employees in the group can accumulate 18 days per year for use as paid absences due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreements. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment and no payout of residual accumulation is made. The benefit costs and liabilities related to the plan are included in employee future benefit obligations.

Other post-employment benefits

Employees of the Hospital are entitled to certain post-employment benefits. The Hospital recognizes these benefits as earned.

The employee future benefit obligations include the following components:

	2023	2022
	$	$
Accrued benefit obligation for other post-employment benefits	**4,138**	4,330
Unamortized actuarial gain	**(250)**	(665)
Employee future benefit obligations	**3,888**	3,665

(In thousands of dollars)

9. Employee future benefit obligations (continued)

Other post-employment benefits (continued)

The movement in the employee future benefit obligations relating to other post-employment benefits during the year is as follows:

	2023	2022
	$	$
Balance – beginning of year	**3,665**	3,407
Current service cost	**420**	441
Interest cost	**164**	135
Benefits paid	**(409)**	(383)
Amortization of actuarial losses (gains)	**48**	65
Pension expense for the year	**223**	258
Balance – end of year	**3,888**	3,665

The movement in the sick pay obligation (which is included in the accrued benefit obligation above) is as follows:

	2023	2022
	$	$
Sick pay – beginning of year	**700**	687
Expensed during the year	**103**	96
Less: Paid during the year	**83**	83
Sick pay – end of year	**720**	700

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are the Hospital's best estimates of expected rates:

	2023	2022
	$	$
Discount rate	**4.5**	2.9
Rate of compensation increase	**2.75**	2.75
Medical benefit cost escalation, decreasing to an ultimate rate of 3.57%	**5.57**	5.57

(In thousands of dollars)

10. Deferred capital contributions

	2023	2022
	$	$
Balance – beginning of year	**145,898**	151,622
Contributions received/accrued	**1,004**	1,770
Disposals	**—**	(131)
Amortized into revenue	**(7,370)**	(7,363)
Balance – end of year	**139,532**	145,898
Less: Current portion	**4,085**	3,990
Long-term portion	**135,447**	141,908

The current portion of deferred capital contributions represents the unspent amount of externally restricted funds. The long-term portion represents the unamortized amount of contributions, which has been used for the purpose of purchasing capital assets.

11. Contingencies and commitments

Contingencies

The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the insurance risks of its health-care 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 the years in which they were members. No assessments have been made for the year ended March 31, 2023. Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses.

Commitments

In July 2010, the Hospital signed an agreement with Women's College Partnership to build, maintain and finance the redevelopment of the Hospital facility.

Beginning in 2013, the lifecycle and facility maintenance costs commenced for a period of 30 years, with the final payment due May 2043. For the term of the agreement, variable monthly payments for facility maintenance costs are payable and a portion of the payment is subject to indexing and escalation as per the agreement.

The MOH has commitment to fund approximately 90% of the lifecycle payments, subject to annual request by the Hospital.

Lifecycle payments due within each of the next five years and thereafter are noted below:

	$
2024	2,096
2025	1,483
2026	1,571
2027	3,052
2028	3,919
Thereafter	55,267
	67,388

(In thousands of dollars)

11. Contingencies and commitments (continued)

Commitments (continued)

The Hospital has entered into various operating lease arrangements, which expire on various dates up to 2023. The minimum rental payments for the next five fiscal years are as follows:

	$
2024	1,466
2025	1,491
2026	1,483
2027	694
2028	11
	5,145

12. Related entities

The Foundation raises funds to support capital, education and other specific projects of the Hospital. 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 influence over the Foundation due to common directors on the boards. The Foundation grants funds to the Hospital as approved by the Board of the Foundation. During the year, related party transactions include the following:

- an amount of $8,078 ($7,920 in 2022) was received by the Hospital of Foundation grants and other transfers;
- an amount of $1,440 ($721 in 2022) related to the Foundation grants is owed to the Hospital as at March 31, 2023 and is included in accounts receivable; and
- an amount of $2,200 ($3,300 in 2022) relating to the ongoing commitment by the Foundation to fund the new facility has been included in accounts receivable.

The Foundation grants are to be received as follows:

	$
2024	1,100
2025	1,100
	2,200

The hospital is a member of Plexxus, a not-for-profit shared services organization whose primary responsibility is to provide supply chain management services to the Hospital and its other members through a cost-saving model. Information technology platforms and related services are part of the Plexxus service offering, including support and maintenance of the Hospital's financial reporting system (SAP). During the year the Hospital has paid $1,107 ($981 in 2022) to Plexxus in membership fees.

On April 1, 2023, Plexxus, Shared Support Southeastern Ontario (3SO), and Mohawk Medbuy Corporate (MMC) amalgamated, operating as one entity under the MMC name. MMC is a national, not-for-profit, shared services organization providing a full range of services (including sourcing and procurement, logistics, data analytics, and more) with the goal to support hospitals and healthcare providers across Canada. MMC will continue to provide the same shared services previously provided to the Hospital through Plexxus.

(In thousands of dollars)

13. Risk management

The Hospital is exposed to a variety of financial risks, including market 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.

Market risk

Market risk includes interest rate and other price risks.

The Hospital's exposure to market risk has changed from prior year. Investments in the prior year were held in fixed income securities and were subject to interest rate and other price risk. These investments were liquidated in the current year and reinvested in Guaranteed Investment Certificates ("GICs"). The current investments are carried at amortized cost. The Hospital is not subject to market risk as its investments have a fixed interest rate and the Hospital intends to carry them until maturity. The Hospital could be exposed to market risk if it were required to liquidate its investments before they mature.

Credit risk

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, 2023, the following accounts receivable were past due but not impaired, as they are considered fully collectible:

	30 days	60 days	90 days	Over 120 days
	$	$	$	$
Accounts receivables	**188**	**118**	**79**	**200**

Liquidity risk

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with 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 known short and long-term cash obligations.

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

	Up to 1 year	1 year to 5 years	More than 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	34,738	—	—	34,738
Asset retirement obligation	—	—	385	385
Long-term debt	8,001	28,704	104,439	141,144
	42,739	28,704	104,824	176,267