

North Shore Health Network
Financial Statements
For the year ended March 31, 2023

Management's Responsibility for the Financial Statements

The accompanying financial statements of the North Shore Health Network ("NSHN") are the responsibility of NSHN's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for not-for-profit organizations established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to these financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

NSHN's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Trustees meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent auditors appointed by NSHN. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on NSHN's financial statements.



Chief Executive Officer

June 13, 2023

Date



Independent Auditor's Report

To the Board of Trustees of the North Shore Health Network

Opinion

We have audited the financial statements of North Shore Health Network (the Hospital), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, remeasurement gains and losses, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sectors.

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 Matters

The financial statements of the Hospital for the year ended March 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 24, 2022.

In addition, we draw attention to Note 16 in the financial statements, which indicates that NSHN is economically dependent on provincial funding in order to continue its operations. Our opinion is not modified in respect of this matter.

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

Independent Auditor's Report (continued)

auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
June 13, 2023

NORTH SHORE HEALTH NETWORK
Statement of Financial Position

| March 31, | 2023 | 2022 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 1,324,160 | 1,735,305 |
| Portfolio investments (note 2) | 1,410,245 | 2,458,450 |
| Accounts receivable | 3,204,009 | 2,203,570 |
| Inventories | 320,439 | 307,107 |
| Prepaid expenses | 222,424 | 112,941 |
| | <u>6,481,277</u> | <u>6,817,373</u> |
| Capital assets (note 3) | 13,804,788 | 13,175,292 |
| | <u>20,286,065</u> | <u>19,992,665</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Short-Term Borrowings (note 4) | 2,477,000 | - |
| Accounts payable and accrued liabilities (note 5) | 5,030,954 | 4,107,326 |
| Deferred revenue | 589,926 | 164,799 |
| | <u>8,097,880</u> | <u>4,272,125</u> |
| Post-employment benefits (note 6) | 964,600 | 826,858 |
| Long term debt (note 7) | 125,000 | 50,000 |
| Deferred contributions for capital assets (note 8) | 7,172,487 | 7,483,523 |
| | <u>16,359,967</u> | <u>12,632,506</u> |
| Net Assets (Deficiency) | | |
| Invested in capital assets (note 9) | 6,632,301 | 5,691,769 |
| Unrestricted | (2,742,601) | 1,598,232 |
| | <u>3,889,700</u> | <u>7,290,001</u> |
| Accumulated remeasurement gains | 36,398 | 70,158 |
| | <u>3,926,098</u> | <u>7,360,159</u> |
| | <u>20,286,065</u> | <u>19,992,665</u> |

Approved on behalf of the board of directors:



NORTH SHORE HEALTH NETWORK**Statement of Operations**

| For the year ended March | 2023 | 2022 |
|--|--------------------|-------------------|
| | \$ | \$ |
| Revenues | | |
| Ontario Ministry of Health - patient care | 14,870,759 | 14,963,780 |
| Ontario Ministry of Health - COVID-19 pandemic | 3,122,344 | 2,362,095 |
| Other patient revenue | 690,016 | 542,706 |
| Co-payments | 316,247 | 312,148 |
| Preferred accommodation | 94,348 | 83,851 |
| Recoveries and other revenue | 2,675,380 | 2,678,746 |
| Amortization of deferred capital contributions related to allowable capital assets | 261,769 | 205,712 |
| | 22,030,863 | 21,149,038 |
| Expenses | | |
| Salaries and wages | 12,086,938 | 10,828,191 |
| Supplies and other expenses | 4,559,020 | 3,639,077 |
| Employee benefits | 3,407,987 | 3,019,296 |
| Medical staff remuneration | 3,199,490 | 2,109,379 |
| Amortization of allowable capital assets | 557,413 | 443,255 |
| Drugs | 289,336 | 291,044 |
| Medical and surgical supplies | 214,190 | 222,444 |
| Post-employment benefits expense (note 6) | 201,435 | (29,969) |
| Bad debts | 9,574 | 8,409 |
| | 24,525,383 | 20,531,126 |
| Excess (deficiency) of revenues over expenditures before undernoted items | (2,494,520) | 617,912 |
| Other Revenues | | |
| Other votes and programs (note 10) | 3,433,171 | 3,184,631 |
| eReferral Project | 400,473 | 316,258 |
| Other recoveries | 700,629 | 710,314 |
| Amortization of deferred capital contributions related to non-allowable capital assets | 357,189 | 355,195 |
| Gain on disposal of capital assets | - | 12,083 |
| Realized investment income on portfolio investments | 13,320 | 70,209 |
| | 4,904,782 | 4,648,690 |
| Other Expenses | | |
| Other votes and programs (note 10) | 4,138,992 | 3,391,777 |
| eReferral Project | 400,473 | 316,258 |
| Other salaries and wages | 701,392 | 705,835 |
| Amortization of non-allowable capital assets | 569,706 | 557,596 |
| | 5,810,563 | 4,971,466 |
| Excess (deficiency) of revenues over expenses | (3,400,301) | 295,136 |

NORTH SHORE HEALTH NETWORK
Statement of Remeasurement Gains and Losses

| For the year ended March | 2023 | 2022 |
|---|---------------|---------------|
| | \$ | \$ |
| Accumulated remeasurement gains, beginning of year | 70,158 | 107,283 |
| Unrealized gains (losses) attributable to Portfolio investments | (33,760) | (37,125) |
| Accumulated remeasurement gains, end of year | 36,398 | 70,158 |

NORTH SHORE HEALTH NETWORK**Statement of Changes in Net Assets**

| For the year ended March | Invested in capital assets \$ | Unrestricted | | Total \$ | 2023 \$ | 2022 \$ |
|--|-------------------------------------|------------------------------|-------------------------|--------------------|------------------|------------------|
| | | Hospital Operations \$ | Long-Term Care \$ | | | |
| Balance, beginning of year | 5,691,769 | 5,669,186 | (4,070,954) | 1,598,232 | 7,290,001 | 6,994,865 |
| Excess (deficiency) of revenue over expenses | (513,696) | (2,182,542) | (704,063) | (2,886,605) | (3,400,301) | 295,136 |
| Changes in net assets invested in capital assets | 1,454,228 | (1,454,228) | - | (1,454,228) | - | - |
| Balance, end of year | 6,632,301 | 2,032,416 | (4,775,017) | (2,742,601) | 3,889,700 | 7,290,001 |

NORTH SHORE HEALTH NETWORK**Statement of Cash Flow**

| For the year ended March | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Operating transactions | | |
| Cash provided by (used for): | | |
| Excess (deficiency) of revenues over expenses | (3,400,301) | 295,136 |
| Items not requiring cash: | | |
| Amortization of capital assets | 1,132,833 | 1,005,685 |
| Proceeds of sale on capital asset | - | (12,083) |
| Amortization of deferred capital contributions related to capital assets | (619,137) | (564,509) |
| | (2,886,605) | 724,229 |
| Net change in operational working capital | | |
| Accounts receivable | (1,000,439) | (356,846) |
| Inventories | (13,332) | 1,084 |
| Prepaid expenses | (109,483) | (15,097) |
| Accounts payable and accrued liabilities | 923,628 | 217,204 |
| Deferred revenue | 425,127 | - |
| Post-employment benefits obligations | 137,742 | (87,086) |
| | (2,523,362) | 483,488 |
| Capital transactions | | |
| Proceeds on disposal of capital assets | - | 19,155 |
| Purchase of capital assets | (1,762,329) | (1,043,039) |
| | (1,762,329) | (1,023,884) |
| Financing transactions | | |
| Deferred capital contributions received | 308,101 | 270,530 |
| Short Term Borrowings Payable | 2,477,000 | - |
| Long term debt | 75,000 | (25,000) |
| | 2,860,101 | 245,530 |
| Investing transactions | | |
| Change in portfolio investments | 1,014,445 | (70,173) |
| Net decrease in cash | (411,145) | (365,039) |
| Cash, beginning of year | 1,735,305 | 2,100,344 |
| Cash, end of year | 1,324,160 | 1,735,305 |

North Shore Health Network

Notes to Financial Statements

March 31, 2023

1. Significant accounting policies

| | |
|-------------------------------|---|
| Nature of Organization | <p>The North Shore Health Network ("NSHN") is a general hospital under the provisions of the Public Hospitals Act of Ontario.</p> <p>NSHN is principally involved in providing health care services to its three sites located in the communities of Blind River, Thessalon and Richard's Landing. NSHN is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada) and accordingly is exempt from income tax.</p> |
| Basis of Accounting | <p>The financial statements of NSHN are prepared using Canadian public sector accounting standards, including the PS 4200 series of standards applicable to government not-for-profit organizations, as issued by the Public Sector Accounting Board.</p> |
| Revenue Recognition | <p>NSHN follows the deferral method of accounting for contributions which include donations and government grants.</p> <p>Under the Health Insurance Act and Regulations thereto, NSHN is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2023.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.</p> <p>Revenue from provincial insurance plan, preferred accommodation and marketed services is recognized in the period in which goods are sold or the service is provided.</p> |
| Contributed Services | <p>A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.</p> |
| Inventories | <p>Inventories are valued at the lower of cost and current replacement cost.</p> |
| Compensated Absences | <p>Compensated absences expense is accrued for all employees as entitlement to these payments is earned, in accordance with NSHN's benefit plans for vacation and overtime.</p> |

North Shore Health Network

Notes to Financial Statements

March 31, 2023

1. Significant accounting policies (continued)

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to NSHN's ability to provide services, its carrying amount is written down to its estimated realizable value.

Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:

| | |
|----------------------------|----------------|
| Land improvements | 10 to 15 years |
| Buildings | 20 to 50 years |
| Building service equipment | 5 to 15 years |
| Equipment | 3 to 15 years |

Construction in progress is not amortized until the capital asset is substantially complete and ready for use.

Retirement and Post-Employment Benefits

NSHN provides retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental benefits. NSHN has adopted the following policies with respect to accounting for these employee benefits:

- i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- ii) The expense related to the multi-employer defined benefit pension plan are the employer's contributions to the plan in the year.
- iii) The discount rate used in the determination of post-employment benefits is equal to NSHN's internal rate of borrowing.

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a 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 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 capital asset if it is still in productive use. This cost is amortized over the useful life of the capital asset. If the related capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

North Shore Health Network

Notes to Financial Statements

March 31, 2023

1. Significant accounting policies (continued)

Financial Instruments

NSHN initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

NSHN subsequently measures its financial assets and financial liabilities at amortized cost using the effective interest rate method, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities, and loan payable.

Financial assets measured at fair value include portfolio investments. NSHN has designated its bond portfolio that would otherwise be classified into the amortized cost category, at fair value as NSHN manages and reports performance on the portfolio on a fair value basis

Use of Estimates

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Amounts affected by significant estimates include allowance for uncollectible accounts receivable, estimated useful lives of capital assets and post-employment benefits obligation.

North Shore Health Network Notes to Financial Statements

March 31, 2023

2. Portfolio investments

NSHN's portfolio investments consist of GICs, bonds and mutual fund investments, detailed as follows:

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| Cost: | | |
| Guaranteed Investment Certificates | \$ 1,183,808 | \$ 1,200,544 |
| Bonds | 99,237 | 175,217 |
| Mutual funds | 90,802 | 1,012,531 |
| | \$ 1,373,847 | \$ 2,388,292 |
| Market value: | | |
| Guaranteed Investment Certificates | \$ 1,183,808 | \$ 1,200,544 |
| Bonds | 99,237 | 174,043 |
| Mutual funds | 127,200 | 1,083,863 |
| | \$ 1,410,245 | \$ 2,458,450 |
| Unrealized gains | \$ 36,398 | \$ 70,158 |

NSHN's GICs and bonds bear interest at varying rates between 1.55% and 5.15% per annum with maturity dates between October 2023 and July 2027.

Maturity profile of GICs and bonds held is as follows:

| | Within 1 Year | 2 to 5 Years | 6 to 10 Years | Over 10 Years | Total |
|------------------|------------------|-----------------|------------------|------------------|--------------|
| Carrying value | \$ 220,715 | \$ 1,062,330 | \$ - | \$ - | \$ 1,283,045 |
| Percent of total | 17 % | 83 % | - | - | 100 % |

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Fair value of NSHN's portfolio investments have been determined using Level 1 measures in the fair value hierarchy.

North Shore Health Network
Notes to Financial Statements

March 31, 2023

3. Capital assets

| | 2023 | | 2022 | |
|--------------------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 65,599 | \$ - | \$ 65,599 | \$ - |
| Land improvements | 420,812 | 420,812 | 420,812 | 420,812 |
| Buildings | 27,599,633 | 16,965,794 | 27,417,967 | 16,394,954 |
| Equipment | 8,945,513 | 7,311,092 | 8,158,016 | 6,780,744 |
| Construction in progress (note 11 c) | 1,470,929 | - | 709,408 | - |
| | \$ 38,502,486 | \$ 24,697,698 | \$ 36,771,802 | \$ 23,596,510 |
| Net book value | | \$ 13,804,788 | | \$ 13,175,292 |

4. Short term borrowings

The Royal Bank of Canada has authorized a revolving demand facility by way of overdraft to a maximum of \$1,000,000 (2022 - \$350,000) which is unsecured and bears interest at the bank's prime rate of interest plus 0.3% per annum. At March 31, 2023, the entire facility (2022 - \$nil) has been drawn on. In addition there was a further \$150,000 drawn as steps were taken with the bank to put additional financing in place.

In addition the TD Bank has authorized a demand facility to a maximum of \$3,200,000 which is to be used for the Health Information System (HIS) project. The facility bears interest at the bank's prime rate of interest plus 0.85% per annum and is secured by a general security agreement. At March 31, 2023, \$1,327,000 has been drawn. It is anticipated that In 2024 the facility will be repaid by way of a long term financing agreement with the bank.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

| | 2023 | 2022 |
|---------------------------------------|---------------------|---------------------|
| Ministry of Health and Long-Term Care | \$ 1,423,005 | \$ 1,010,977 |
| Wages and employee benefits | 2,178,223 | 1,842,697 |
| Other accounts payable | 824,504 | 954,919 |
| Other accrued liabilities | 605,222 | 298,733 |
| | \$ 5,030,954 | \$ 4,107,326 |

Included in wages and employee benefits above is an accrued liability related to the impact of the repeal of Bill 124.

North Shore Health Network
Notes to Financial Statements

March 31, 2023

6. Employee future benefits

Post-retirement benefits

The Hospital extends post-employment health and dental benefits to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study completed with a date of May 3, 2023, and estimated rates for March 31, 2023.

Accrued benefits liability

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| Accrued benefit obligation | \$ 964,600 | \$ 826,858 |
| Unamortized actuarial gains (losses) | - | - |
| | \$ 964,600 | \$ 826,858 |

The Hospital paid \$110,800 (2022 - \$57,117) in benefit payments during the year.

Significant assumptions

The significant actuarial assumptions and economic factors adopted in estimating the Hospital's accrued benefit obligations are as follows. All rates and percentages are annualized.

a) Interest (discount) rate

The obligation as at March 31, 2023 for the present value of future liabilities and the expense for the period then ended, were determined using an annual discount rate of 4.04% (2022 - 3.89%).

b) Extended health care

Extended Health Care rate was 7.68% and was assumed to decrease equally per year to 4.5% per annum in 2043.

c) Dental costs

Dental costs were at 4.5% per annum.

Benefits expense

Included in the statement of operations is a benefit expense of \$201,435 (2022 - (\$29,969)). This expense is comprised of the following:

| | 2023 | 2022 |
|--|-------------------|--------------------|
| Current period benefit cost | \$ 175,700 | \$ (56,500) |
| Interest expense | 38,200 | 26,531 |
| Recognition of transitional obligation | 34,600 | - |
| Other | (47,065) | - |
| Benefits expense | \$ 201,435 | \$ (29,969) |

North Shore Health Network

Notes to Financial Statements

March 31, 2023

6. Employee future benefits (continued)

Hospital of Ontario Pension Plan ("HOOPP")

HOOPP provides pension services to more than 419,000 members and approximately 624 employers. Substantially all of employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2022 disclosed a surplus of \$10,953 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$174,144 million in respect of benefits accrued for service with actuarial assets at that date of \$185,097 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions by the Hospital to the plan during the year by the Hospital amounted to \$965,978 (2022 -\$902,437).

7. Long-term debt

| | 2023 | 2022 |
|---|------------|-----------|
| Loan payable, 0% interest, maturing December 1, 2023 | \$ 25,000 | \$ 50,000 |
| Loan payable, interest payable at 3.5%, maturing January 2027 | 100,000 | - |
| | \$ 125,000 | \$ 50,000 |

8. Deferred contributions for capital assets

Deferred contributions for capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred contributions for capital assets is recorded as revenue in the statement of operations using the straight-line method at rates consistent with the assets to which they relate.

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 7,483,523 | \$ 7,777,502 |
| Additional contributions received | 308,101 | 270,530 |
| Less: amounts amortized to revenue | (619,137) | (564,509) |
| Balance, end of year | \$ 7,172,487 | \$ 7,483,523 |

North Shore Health Network
Notes to Financial Statements

March 31, 2023

9. Net assets invested in capital assets

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| a) Net assets invested in capital assets are calculated as follows: | | |
| Capital assets | \$ 13,804,788 | \$ 13,175,292 |
| Amounts financed by deferred capital contributions | <u>(7,172,487)</u> | <u>(7,483,523)</u> |
| | \$ 6,632,301 | \$ 5,691,769 |
| b) Change in net assets invested in capital assets is calculated as follows: | | |
| Amortization of deferred contributions for capital assets | \$ 619,137 | \$ 564,509 |
| Gain (loss) on disposal of capital assets | - | 12,083 |
| Amortization of capital assets | <u>(1,132,833)</u> | <u>(1,005,685)</u> |
| | \$ (513,696) | \$ (429,093) |
| Purchase of capital assets and construction in progress | 1,762,329 | 1,043,039 |
| Proceeds on disposal of capital assets | - | (19,155) |
| Deferred contributions on capital assets received | <u>(308,101)</u> | <u>(270,530)</u> |
| | \$ 1,454,228 | \$ 753,354 |
| Change in net assets invested in capital assets | \$ 940,532 | \$ 324,261 |

10. Other votes and programs

| | Revenues | Expenses | Surplus (Deficit) |
|-----------------------------|---------------------|---------------------|----------------------|
| Long-term care (Schedule 1) | \$ 2,603,300 | \$ 3,309,121 | \$ (705,821) |
| Community support services | 826,271 | 826,271 | - |
| Municipal taxes | <u>3,600</u> | <u>3,600</u> | - |
| | \$ 3,433,171 | \$ 4,138,992 | \$ (705,821) |

North Shore Health Network

Notes to Financial Statements

March 31, 2023

11. Contingent liabilities and commitments

a) The nature of NSHN's activities is such that there is often litigation pending or in prospect at any time. With respect to claims at March 31, 2023, management believes NSHN has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on NSHN's financial position.

b) Effective June 2019, the Province of Ontario enacted Bill 124 "Protecting a Sustainable Public Sector for Future Generations Act, 2019". This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be "void and of no effect". On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact to the organization as a result of the Ontario Superior Court decision has been considered. However, no amount has been disclosed in these financial statements as not to adversely impact future arbitration hearings.

c) During the fiscal year, NSHN entered into a Membership Agreement along with twenty-two other Hospitals in Northeastern Ontario to incorporate and establish ONE Health Information Technology Services (ONE). ONE will provide Health Information System (HIS) support services to the member Hospitals on a fee for service basis.

NSHN's portion of the capital costs incurred to date to develop and prepare for implementation of the HIS are recognized in the financial statements as construction in progress. Further costs are expected to be incurred in fiscal 2024 as implementation continues, with a projected in-use date of fiscal 2025.

Under the Membership Agreement, NSHN has committed to paying annual membership fees to fund its share of the annual operating and capital budgets of ONE. The ongoing operating costs for ONE over the initial ten year period of the Membership Agreement are anticipated to be approximately \$95.96 million, of which NSHN's portion is 1.4%.

12. Financial instruments

NSHN's financial instruments consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities. The nature of the risks to which NSHN may be subject to are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. NSHN is exposed to this risk relating to its cash, portfolio investments and accounts receivable.

NSHN holds its cash accounts and portfolio investments with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

NSHN is exposed to credit risk in accounts receivable which includes patient, insurance, government and other receivables. NSHN measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including managements on-going monitoring of outstanding accounts and collections. In the opinion of management, the credit risk exposure in accounts receivable is considered to be low.

North Shore Health Network

Notes to Financial Statements

March 31, 2023

12. Financial instruments (continued)

b) Liquidity risk

Liquidity risk is the risk that the company cannot repay its obligations when they become due to its creditors. NSHN is exposed to this risk relating to its accounts payable and accrued liabilities, and loan payable.

NSHN reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay trade creditors as payables become due. In the opinion of management, the liquidity risk exposure to NSHN is low.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. NSHN does not have material transactions or financial instruments denominated in foreign currencies.

ii) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. NSHN is exposed to this risk through its interest-bearing investments.

NSHN's GIC and bond portfolio has interest rates and maturities as detailed in note 3 to the financial statements. NSHN does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk exposure to NSHN is low.

iii) Other price risk

Other price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets. NSHN is exposed to this risk through its mutual fund holdings in its investment portfolio.

The maximum exposure to other price risk through NSHN's mutual fund holdings is detailed in note 3 to the financial statements. Management reduces its exposure to other price risk by monitoring the value of its mutual fund holdings on a regular basis. In the opinion of management, the other price risk exposure to NSHN is low.

There have not been significant changes from the previous year in the exposure to all of the above risks or policies, procedures and methods used to measure these risks.

13. Comparative figures

Certain comparative figures have been reclassified to conform with financial statement presentation adopted in the current year.

North Shore Health Network

Notes to Financial Statements

March 31, 2023

14. North Shore Health Network Auxiliary and Foundation

a) North Shore Health Network Auxiliary Inc.

The North Shore Health Network Auxiliary Inc. is an independent incorporated entity without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. The Auxiliary's primary function is to raise funds for the improvement of NSHN.

At March 31, 2023 the Auxiliary holds funds of approximately \$363,000 (2022 - \$377,000) which are available for use at the discretion of the Auxiliary's Board for the benefit of the Hospital.

b) North Shore Health Network Foundation

The North Shore Health Network Foundation is an independent incorporated entity without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. The Foundation's purpose is to promote and assist fundraising efforts for projects of the NSHN.

At March 31, 2023 the Foundation holds net assets of approximately \$899,000 (2022 - \$793,000). During the year, the Foundation contributed \$226,523 (2022 - \$211,748) to the Hospital.

15. COVID-19 Ministry of Health funding

In response to the ongoing COVID 19 pandemic, the MOH has announced funding programs to assist hospitals with incremental operating and capital costs, revenue decreases as a result of COVID 19, and working fund support. Additionally, as part of the broad based funding reconciliation, the MOH is allowing hospitals to reallocate surplus funding that otherwise would have been repayable from certain programs to offset budget constraints created by COVID-19.

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. This guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the MOH revenue related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

16. Economic dependence

Under the Health Insurance Act and Regulations thereto, NSHN is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. For the year ended March 31, 2023, this provincial funding was 85% of total operating revenue and as such NSHN is economically dependent on this source of income. During the year NSHN has incurred a significant deficit and working capital deficiency which will result in the need for further funding from the Province.

17. Change in accounting policy

Effective April 1, 2022, NSHN adopted new Public Sector Accounting Handbook Standard, PS Section 3280, Asset Retirement Obligations. The Standard requires an obligation to be recognized related to legal obligations associated with the retirement of capital assets. NSHN completed a detailed assessment of its assets and leased assets and concluded that there were no legal obligations to incur retirement costs in relation to these assets. Therefore, NSHN has not recognized an asset retirement obligation.

NORTH SHORE HEALTH NETWORK
Schedule of Long-Term Care Operations

SCHEDULE 1

| For the year ended March | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Revenues | | |
| Ontario Ministry of Long Term Care - Operations | 1,350,996 | 1,354,437 |
| Ontario Ministry of Long Term Care - COVID-19 | 572,488 | 420,233 |
| Co-payments | 431,368 | 410,983 |
| Preferred accommodation | 47,285 | 46,657 |
| Recoveries and other revenue | 197,717 | 114,310 |
| Amortization of deferred capital contributions | 3,446 | 3,602 |
| | 2,603,300 | 2,350,222 |
| Nursing Expenses | | |
| Salaries and benefits | 2,130,681 | 1,477,957 |
| Supplies and other | 92,355 | 74,606 |
| Program and Support Expenses | | |
| Salaries and benefits | 121,865 | 129,409 |
| Supplies and other | 4,853 | 2,017 |
| Accommodation Expenses | | |
| Purchased services | 287,385 | 267,028 |
| Salaries and benefits | 280,805 | 289,864 |
| Food costs | 114,334 | 97,648 |
| Supplies and other | 176,464 | 129,265 |
| Plant operations | 95,175 | 84,081 |
| Amortization of capital assets | 5,204 | 4,834 |
| | 3,309,121 | 2,556,709 |
| Deficiency of revenues over expenses | (705,821) | (206,487) |