Financial Statements of

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health

Year ended March 31, 2023

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Quinte Health Care Corporation operating as Quinte Health

Opinion

We have audited the financial statements of Quinte Health Care Corporation operating as Quinte Health, (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

  (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity 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 - Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 31, 2023

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health

Statement of Financial Position

March 31, 2023, with comparative information for 2022

		2023		2022 (Restated - note 2)
Assets				
Current assets:				
Cash	$	27,080,628	$	32,638,773
Accounts receivable (note 3)		10,363,488		19,323,286
Inventories (note 4)		2,789,318		2,182,294
Prepaid expenses		6,082,942		4,809,643
		46,316,376		58,953,996
Capital assets (note 5)		179,082,904		170,926,725
	$	225,399,280	$	229,880,721
Liabilities, Deferred Capital Contributions and Net Assets (Deficiency)				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	65,587,684	$	59,407,177
Long-term debt:				
Long-term debt (note 7)		159,514		185,121
Capital leases payable (note 8)		2,704,865		1,837,648
Asset retirement obligation (note 9)		5,112,870		5,112,870
Employee future benefit liabilities (note 10)		7,490,800		7,755,800
Deferred capital contributions (note 11)		160,735,591		157,069,435
Net assets (deficiency):				
Invested in capital assets (note 12(a))		15,205,662		13,490,028
Unrestricted (deficiency)		(31,597,706)		(14,977,358)
		(16,392,044)		(1,487,330)
Contingencies and commitments (note 13)				
	$	225,399,280	$	229,880,721

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director   _______________ Director

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Ministry of Health/ Ontario Health (notes 14 and 15)	$ 243,117,088	$ 221,767,953
Patient revenue	19,186,509	20,061,046
Marketed services	2,024,034	1,673,236
Recoveries and other revenue	2,948,289	2,894,376
Investment income	621,670	72,755
Other Ministry programs	11,551,640	9,103,896
Amortization of deferred capital contributions - equipment	3,638,723	3,754,058
	283,087,953	259,327,320
Expenses:		
Compensation - salaries	144,313,843	120,738,215
Compensation - benefits	36,360,122	32,871,505
Medical staff remuneration	27,332,094	26,348,824
Medical and surgical supplies	11,048,232	9,732,675
Drugs and medicine	16,019,001	13,621,403
Supplies and other expenses	44,904,674	40,362,554
Other Ministry programs	11,551,640	9,103,896
Employee future benefits	(261,089)	299,000
Amortization of capital assets - equipment	5,809,189	5,518,404
	297,077,706	258,596,476
Surplus (deficit) of revenue over expenses from hospital operations	(13,989,753)	730,844
Amortization of deferred capital contributions - buildings and improvements	5,640,997	5,710,455
Amortization of capital assets - buildings and improvements	(6,555,958)	(6,441,299)
	(914,961)	(730,844)
Deficiency of revenue over expenses	$ (14,904,714)	$ –

See accompanying notes to financial statements.

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Unrestricted	2023 Total	2022 Total
				(Restated - note 2)
Balance (deficiency), beginning of year	$ 13,490,028	$ (14,977,358)	$ (1,487,330)	$ 3,625,540
Adjustment upon adoption of PS 3280 (note 2)	–	–	–	(5,112,870)
Balance (deficiency), beginning of year as restated	13,490,028	(14,977,358)	(1,487,330)	(1,487,330)
Deficiency of revenue over expenses (note 12(b))	(3,085,427)	(11,819,287)	(14,904,714)	–
Net change in investment in capital assets (note 12(b))	4,801,061	(4,801,061)	–	–
Balance (deficiency), end of year	$ 15,205,662	$ (31,597,706)	$ (16,392,044)	$ (1,487,330)

See accompanying notes to financial statements.

QUINTE HEALTH CARE CORPORATION

Operating as Quinte Health
Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Operations:		
Deficiency of revenue over expenses	$ (14,904,714)	$ –
Items not involving cash:		
Amortization of capital assets	12,365,147	11,959,703
Increase in capital leases payable	2,094,235	1,189,723
Amortization of deferred capital contributions	(9,279,720)	(9,464,513)
Change in non-cash working capital (note 16)	12,886,926	18,067,999
Change in employee future benefit liabilities	(265,000)	(214,400)
	2,896,874	21,538,512
Capital activities:		
Purchase of capital assets	(20,521,326)	(14,535,259)
Deferred capital contributions received	12,945,876	8,574,176
	(7,575,450)	(5,961,083)
Financing activities:		
Repayments of capital leases payable	(856,549)	(510,264)
Repayments of long-term debt	(23,020)	(22,389)
	(879,569)	(532,653)
Increase (decrease) in cash	(5,558,145)	15,044,776
Cash, beginning of year	32,638,773	17,593,997
Cash, end of year	$ 27,080,628	$ 32,638,773

See accompanying notes to financial statements.

The Quinte Health Care Corporation operating as Quinte Health (the "Corporation") is an integrated system of four hospitals - QHC Belleville General Hospital, QHC North Hastings Hospital, QHC Prince Edward County Memorial Hospital and QHC Trenton Memorial Hospital - providing care to the residents of Hastings and Prince Edward Counties and the southeast portion of Northumberland County.

The Corporation is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

Under the Heath Insurances Act and Regulations thereto, the Corporation is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ministry of Health/ Ontario Health (the "Ministry"). The financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2023. The Corporation has entered into an accountability agreement with the Ontario Health East which requires that the Corporation meet certain financial and non-financial performance indicators.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 series of standards for government not-for-profit organizations.

(a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which include donations and government grants.

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.

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.

Externally restricted contributions other than endowment 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 at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, marketed services and recoveries and other revenue is recognized when the goods are sold or the service is provided.

1. **Significant accounting policies (continued):**

(b) Inventories:

Inventories are valued at the lower of cost on a first-in, first-out basis, and replacement cost.

(c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital lease are initially recorded at the present value of future minimum lease payments and are amortized over the term of the lease. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses, while betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to operations in the year of disposition.

Projects in progress are amortized when they are considered substantially complete and are ready for use by the Corporation.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	10% to 20%
Buildings	2.5% to 20%
Furniture and equipment	5% to 33%

(d) Contributed services:

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 the financial statements.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include obligations related to employee future benefits and asset retirement obligations. Actual results could differ from those estimates.

1. **Significant accounting policies (continued):**

(f) Employee future benefit liabilities:

The Corporation accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plans is 16 years (2022 - 16 years).

The Corporation is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Corporation has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multi-employer defined benefit plan are expensed when due.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The most recent funding of this multi-employer pension plan conducted as at December 31, 2022 disclosed actuarial assets of $103.7 billion (2022 - $114.4 billion) with accrued pension liabilities of $88.6 billion (2022 - $85.9 billion), resulting in a surplus of $15.1 billion (2022 - $28.5 billion). This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 based on the assumptions and methods adopted for the valuation.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not subsequently elected to carry financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported on the Statement of Operations.

Long-term debt is recorded at amortized cost.

(h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2023.

1. Significant accounting policies (continued):

(i) Asset retirement obligations:

The Corporation recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Changes in Net Assets at the time of remediation.

2. Change in accounting policies:

On April 1, 2021, the Corporation adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Corporation. The standard was adopted on the modified retroactive basis at the date of adoption. Under the modified retroactive method of adoption, the assumptions used to estimate the Corporation's asset retirement obligations are applied as of the date of adoption for the standard.

On April 1, 2021, the Corporation recognized an asset retirement obligation relating to buildings owned by the Corporation that contain asbestos, medical equipment, all other building equipment such as fuel tanks, monitoring wells, and any related HVAC systems with ozone depleting substances. The Corporation did not reassess the useful life of the assets as it deemed it impractical to do so.

In accordance with the provisions of this new standard, the Corporation reflected the following adjustments at April 1, 2021:

- An increase of $ 5,112,870, to the cost of the capital assets, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of the same amount to accumulated amortization.
- An asset retirement obligation in the amount of $5,112,870, representing the estimated cost of remediation as at that date; and
- A decrease to opening net assets of $5,112,870, representing the accumulated amortization expense on the asset and the portion of the liability charged directly to expense for assets no longer in productive use.

No remediation work occurred during the years ended March 31, 2023 or March 31, 2022.

3. Accounts receivable:

		2023		2022
Ministry of Health/ Ontario Health	$	4,727,421	$	13,409,249
OHIP		1,647,710		1,352,524
Harmonized sales tax		1,945,921		1,976,347
Due from foundations		278,433		889,060
Other		2,779,003		2,621,106
		11,378,488		20,248,286
Less: allowance for doubtful accounts		(1,015,000)		(925,000)
	$	10,363,488	$	19,323,286

4. Inventories:

		2023		2022
Supply	$	955,695	$	929,654
Pandemic		306,869		13,814
Pharmacy		1,397,387		1,103,318
Food		129,367		135,508
	$	2,789,318	$	2,182,294

5. Capital assets:

Capital assets are comprised of the following items:

		Cost		Accumulated amortization		2023 Total		2022 Total
Land	$	1,178,178	$	–	$	1,178,178	$	1,178,178
Land improvements		1,750,192		1,429,384		320,808		369,044
Buildings (restated note 2)		278,547,068		140,718,403		137,828,665		137,483,615
Furniture and equipment		169,974,481		145,977,340		23,997,141		21,382,799
Projects in progress		15,758,112		–		15,758,112		10,513,089
	$	467,208,031	$	288,125,127	$	179,082,904	$	170,926,725

Cost and accumulated amortization of capital assets at March 31, 2022 have been restated as described in note 2 and amounted to $449,519,074 and $278,592,349, respectively.

6. Accounts payable and accrued liabilities:

		2023		2022
Trade accounts payable and accruals	$	36,724,515	$	42,257,196
Accrued salaries and wages		19,146,006		7,638,874
Accrued vacation pay		8,787,398		8,954,398
Current portion of long-term debt (note 7)		25,607		23,020
Current portion of capital leases payable (note 8)		904,158		533,689
	$	65,587,684	$	59,407,177

7. Long-term debt:

The loan is unsecured and was used to finance the purchase of residential properties as a possible contingency strategy for future parking requirements.

		2023		2022
Loan bearing interest at 2.8% per annum, repayable in blended monthly installments of $2,379 until maturity in May 2025	$	185,121	$	208,141
Less current portion		25,607		23,020
	$	159,514	$	185,121

Principal due on long-term debt over the next three years to maturity is as follows:

2024	$	25,607
2025		24,337
2026		135,177
	$	185,121

Interest paid during the year on long-term debt amounted to $5,503 (2022 - $6,159).

8. Capital leases payable:

	2023	2022
Capital lease on equipment (energy and facility renewal upgrade) bearing interest at 2.14% per annum repayable in blended monthly installments of $27,866 until maturity on March 28, 2026	$ 860,079	$ 1,135,122
Capital lease on equipment (Omnicells) bearing interest at 0.33% per annum repayable in blended quarterly installments of $18,918 until maturity at June 30, 2025 plus a 3 year extension of the lease	195,768	299,739
Capital lease on equipment (Omnicells) bearing interest at 0.02% per annum repayable in blended quarterly installments of $53,006 until maturity at March 31,2026 plus a 3 year extension of the lease	702,414	936,476
Capital lease on equipment (Omnicells) bearing interest at 0.13% per annum repayable in blended quarterly installments of $31,613 until maturity at March 31,2027 plus a 3 year extension of the lease	621,639	–
Capital lease on equipment (Endoscopy) bearing interest at 7.55% per annum repayable in blended quarterly installments of $ $79,670 until maturity at July 3,2027 plus a 3 year extension of the lease	1,229,123	–
	3,609,023	2,371,337
Less current portion	904,158	533,689
	$ 2,704,865	$ 1,837,648

8. Capital leases payable (continued):

Future principal and interest repayments on capital leases (energy and facility renewal upgrade) over the next three years to maturity are approximately as follows:

	Principal	Interest	Total
2024	$ 280,788	$ 15,142	$ 295,930
2025	286,652	9,278	295,930
2026	292,639	3,291	295,930
	$ 860,079	$ 27,711	$ 887,790

Interest paid during the year on capital leases payable (energy and facility renewal upgrade) amounted to $20,887 (2022 - $57,740).

Future principal and interest repayments on capital leases (Omnicells) over the next four years to maturity and thereafter are approximately as follows:

	Principal	Interest	Total
2024	$ 384,826	$ 1,080	$ 385,906
2025	385,251	654	385,905
2026	385,684	283	385,967
2027 and thereafter	364,060	89	364,149
	$ 1,519,821	$ 2,106	$ 1,521,927

Interest paid during the year on capital leases payable (Omnicells) amounted to $1,080 (2022 - $1,023).

Future principal and interest repayments on capital leases (Endoscopy) over the next five years to maturity are approximately as follows:

	Principal	Interest	Total
2024	$ 238,555	$ 86,150	$ 324,705
2025	257,083	67,622	324,705
2026	277,049	47,656	324,705
2027	298,566	26,139	324,705
2028	157,870	4,484	162,354
	$ 1,229,123	$ 232,051	$ 1,461,174

Interest paid during the year on capital leases payable (Endoscopy) amounted to $86,150 (2022 - $Nil).

9. Asset retirement obligation:

The Corporation’s asset retirement obligation relates to the legally required removal or remediation of asbestos-containing materials in certain buildings, decommissioning of fuel tanks and monitoring wells across all its locations. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance the current legislation.

The change in the estimated obligation during the year consists of the following.

		2023		2022 (Restated – note 2)
Balance, beginning of year	$	5,112,870	$	–
Adjustment on adoption of PS 3280 asset retirement obligation (note 2)		–		5,112,870
Opening balance, as restated		5,112,870		5,112,870
Less: obligations settled during the year		–		–
Balance, end of year	$	5,112,870	$	5,112,870

10. Employee future benefits:

The Corporation provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2021 and extrapolated to March 31, 2023. The next valuation of the plan is effective March 31, 2024.

At March 31, 2023, the Corporation's accrued benefit liabilities relating to post-retirement and post-employment benefit plans is $7,315,800 (2022 - $7,580,800).

The significant actuarial assumptions adopted in estimating the Corporation's accrued benefit obligation are as follows:

Discount rate for calculation of Fiscal 2023 Net Benefit Cost	3.75%
Discount rate for calculation of March 31, 2023 disclosures	4.50%
Dental benefits escalation (2021-2025)	3.00%
Health benefits escalation (2021-2025)	5.57%

10. Employee future benefits (continued):

Information with respect to the Corporation's post-retirement and post-employment benefit liabilities is as follows:

	2023	2022
Accrued benefit liabilities, beginning of year	$ 7,580,800	$ 7,795,200
Current service costs	304,400	336,800
Interest on accrued benefit obligation	210,200	185,500
Benefits paid for the period	(526,800)	(513,400)
Amortization of actuarial gain	(252,800)	(223,300)
Accrued benefit liabilities, end of year	$ 7,315,800	$ 7,580,800

Accrued benefit liabilities at March 31, include the following components:

	2023	2022
Accrued benefit obligation	$ 5,161,700	$ 5,639,300
Unamortized experience gains	2,154,100	1,941,500
Accrued benefit liability	7,315,800	7,580,800
Other benefit liabilities	175,000	175,000
Total accrued benefit liability	$ 7,490,800	$ 7,755,800

11. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized and unspent balances of donations and grants received for capital assets acquisitions. Details of the continuity of these funds are as follows:

	2023	2022
Balance, beginning of year	$ 157,069,435	$ 157,959,772
Additional contributions received	12,945,876	8,574,176
	170,015,311	166,533,948
Less: amounts amortized to revenue	(9,279,720)	(9,464,513)
Balance, end of year	$ 160,735,591	$ 157,069,435

11. Deferred capital contributions (continued):

The balance of unamortized and unspent funds consists of the following:

	2023	2022
Unamortized capital contributions used to purchase assets	$ 160,083,098	$ 154,857,219
Unspent contributions	652,493	2,212,216
	$ 160,735,591	$ 157,069,435

Included in unspent contributions is $ 284,197 (2022 - $577,712) related to Health Infrastructure Renewal Funding that was approved by the Ministry of Health to be carried forward to the 2024 fiscal year.

12. Invested in capital assets:

(a) The investment in capital assets is calculated as follows

	2023	2022
Capital assets	$ 179,082,904	$ 170,926,725
Amounts financed by:		
Deferred contributions	(160,083,098)	(154,857,219)
Long-term debt	(185,121)	(208,141)
Capital leases payable	(3,609,023)	(2,371,337)
	$ 15,205,662	$ 13,490,028

(b) The change in investment in capital assets is calculated as follows:

	2023	2022
Excess of expenses over revenue:		
Amortization of capital assets	$ (12,365,147)	$ (11,959,703)
Amortization of deferred capital contributions	9,279,720	9,464,513
	$ (3,085,427)	$ (2,495,190)
Net change in investment in capital assets:		
Purchase of capital assets	$ 20,521,326	$ 14,535,259
Amounts funded by deferred contributions	(14,505,599)	(8,632,771)
Increase in capital leases payable	(2,094,235)	(1,189,723)
Repayments of capital leases payable	856,549	510,264
Repayments of long-term debt	23,020	22,389
	$ 4,801,061	$ 5,245,418

13. Contingencies and commitments:

(a) The Corporation has received funding from the Ministry and Ontario Health East for specific services which are subject to annual final reviews and approval. Pursuant to the related agreements, if the Corporation does not meet specified levels of activity, the Ministry and Ontario Health East are entitled to recover funds. Any adjustments resulting from the reviews will be reflected in the year of Ministry approval as an adjustment to revenue on the Statement of Operations.

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

(c) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”) on April 1, 2014. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2023.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2023.

13. Contingencies and commitments (continued):

(d) Employment matters:

During the normal course of operations, the Corporation is involved in certain employment-related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

(e) Environmental site assessment:

In 2018, the Corporation undertook an Environmental Site Assessment on a parcel of vacant land. This assessment identified contaminated soil. Based upon existing environmental regulations, there is no legal obligation requiring the Corporation to remediate this land. There may be requirements to undertake remediation action in the future under certain development conditions. The estimated remediation cost to bring this land to an environment standard has been estimated at ranging from $1 million to $2.6 million. As there is no legal obligation to remediate this land and there continues to be uncertainty surrounding the timing and nature of the remediation, no liability has been recognized in the Corporation's financial statements with respect to this matter.

(g) The Corporation is currently in the implementation phase of a major information systems project (referred to as “Lumeo RHIS”) to replace its current core clinical system over the next four years. The project will be delivered under a “Governance and Master Services Agreement” led by Kingston Health Sciences Centre in partnership with Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smith Falls District Hospital, and the Corporation. The partners have gone through a rigorous process of procurement and planning over the past five years and agreed to commence implementation in July 2021. Under the agreement, the Corporation is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs.

In 2021, the Corporation’s Board of Directors approved the project with a total cost of ownership of approximately $55 million over 10 years. Costs incurred to date of $7.8 million (2022 - $1.7 million) are included in Capital assets on the Statement of Financial Position relating to this project and have been financed using internal resources. The Corporation is currently developing a financing strategy to support capital costs relating to the project. Future commitments relating to the project are expected to change based on the actual expenses incurred by the project.

14. Ministry of Health funding:

Included in Ministry of Health revenue is funding for Hospital On-Call coverage totaling $2,703,241 (2022 - $2,673,189) and funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2023 of $7,920,283 (2022 - $7,375,793).

15. Ministry of Health/ Ontario Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the Ministry of Health/ Ontario Health ("Ministry") has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals to redirect unused funding from certain volume-based programs towards COVID-19 costs, and other operating pressures through a broad-based funding reconciliation to achieve a balanced position of March 31, 2023.

While the Ministry has provided guidance with respect to the criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by Ministry and the impacts of COVID-19 on the Corporation's operations, revenues and expenses. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Corporation's financial statements in the year of settlement.

Details of the Ministry funding for COVID-19 recognized as revenue are summarized below:

	2023	2022
Funding for COVID-19 assessment centre and lab testing	$ 5,879,994	$ 8,722,824
Funding for incremental COVID-19 operating expenses	3,742,900	5,371,592
Funding for temporary physician funding	877,481	861,234
Broad-based funding reconciliation utilizing unearned volume-based funding	432,052	1,266,438
	$ 10,932,427	$ 16,222,088

In addition to the above, the Corporation has also recognized $Nil (2022 - $1,020,860) in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

16. Change in non-cash operating working capital:

	2023	2022
Accounts receivable	$ 8,959,798	$ 4,002,738
Inventories	(607,024)	212,397
Prepaid expenses	(1,273,299)	(537,831)
Accounts payable and accrued liabilities	6,180,507	14,587,370
	13,259,982	18,264,674
Less:		
Current portion of capital leases payable	(370,469)	(196,044)
Current portion of long-term debt	(2,587)	(631)
	$ 12,886,926	$ 18,067,999

17. Credit facilities:

The Corporation has an available operating line of credit facility of $12,000,000 (2022 - $12,000,000). The unsecured, operating line is due on demand and bears interest at the bank prime rate less 0.9%. As at March 31, 2023, the Corporation has drawn $Nil (2022 - $Nil) on this facility.

18. Pension plan:

Substantially all of the employees of the Corporation are members of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Corporation on behalf of its employees amounted to $10,475,472 (2022 - $9,671,220) and are recorded in the Statement of Operations.

Pension expense is based on the Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan’s 2022 Annual Report indicates the plan is fully funded at 117%.

19. Related party transactions:

(a) The Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, Prince Edward County Memorial Hospital Foundation and North Hastings Fund Development Committee:

The Corporation has an economic interest in the above four foundations. These foundations' principal activity is to collect and maintain funds to be used substantially for building, equipment purchases, and special program costs for the Corporation.

The Corporation recognized the following contributions from their foundations to fund building and equipment purchases:

	Equipment		Building	
	2023	2022	2023	2022
The Belleville General Hospital Foundation Inc.	$ 1,028,089	$ 1,143,106	$ –	$ –
Trenton Memorial Hospital Foundation	968,720	1,235,758	–	–
Prince Edward County Memorial Hospital Foundation	912,499	475,804	–	20,000
North Hastings Fund Development Committee	94,375	160,553	–	–
	$ 3,003,683	$ 3,015,221	$ –	$ 20,000

(b) Belleville General Hospital Auxiliary, Trenton Memorial Hospital Auxiliary, Prince Edward County Memorial Hospital Auxiliary Incorporated, and The North Hastings District Hospital Auxiliary:

The Corporation has an economic interest in the auxiliaries. Quinte Health Care Corporation Auxiliaries promote and extend the interests of the Corporation throughout the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County. They provide volunteer auxiliary services as requested by the Corporation through liaison with the Department of Communications and Community Relations. The auxiliaries also raise funds for the Corporation to be allocated to special gifts in a manner satisfactory to the administration of the Corporation and in harmony with the planning of the community. Quinte Health Care Corporation Auxiliaries supported the Corporation through donations to fund equipment purchases and special program costs.

19. Related party transactions (continued):

(c) Shared Support Services South Eastern Ontario:

The Corporation is a member of a group of six hospitals which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, was created to manage the services and provide procurement oversight on the part of the member hospitals. The project has received start-up funding from the Ministry of Finance.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Corporation has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Corporation incurred costs of $1,418,041 (2022 - $1,616,941) to 3SO for governance/ operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Corporation signed a commitment to the project through to April 2025. The Corporation has provided a limited guarantee to a maximum of $190,100 of a $1,000,000 line of credit secured by 3SO, representing the Corporation's proportionate share of 19.01%. As at March 31, 2023, 3SO has drawn $Nil (2022 - $Nil) on this line of credit.

On March 29, 2023, 3SO entered into an Asset Purchase Agreement with Mohawk Medbuy Corporation ("MMC"), which saw MMC substantially purchase all assets and liabilities of 3SO, effective April 1, 2023. The Members of 3SO approved the dissolution and wind-up of the Organization's legal entity upon finalization of the transaction and completion of certain administrative tasks, which is expected to take place in fall 2023.

(d) Shared Digital Imaging Infrastructure Program:

The Corporation is a member of a group of several hospitals and independent health facilities that together have formed a shared digital diagnostic imaging repository. The shared repository enables timely access to diagnostic imaging information and services with the goal of improved health status and quality outcomes for patients. Specific benefits include contributing to the development of the provincial electronic health record, reducing the number of duplicate diagnostic imaging exams, reducing cost by sharing infrastructure for data storage and enhancing risk management through disaster recovery, data centres with back up and business continuity strategies.

19. Related party transactions (continued):

(d) Shared Digital Imaging Infrastructure Program (continued):

Hospitals Diagnostic Imaging Repository System (HDIRS) is an independent, not-for-profit corporation funded by Ontario Health which manages the development, implementation and operation of the shared system. By working together, HDIRS partners are achieving economies of scale and shared service benefits that could not have been realized independently. HDIRS is governed by a board of directors that includes Ontario-based hospital chief executives and others. HDIRS follows a skills-based approach to creating a highly effective board. With the scope and authority to make impactful decisions, HDIRS' ten voting board members actively represent – on a volunteer basis – the collective interests of member hospitals, independent health facility clients (IHFs), LHINs and, ultimately, all patients served.

20. Capital management:

The Corporation's objectives with respect to capital management are to maintain a minimum capital base that allows the Corporation to continue with and execute its overall purpose as outlined in these notes to the financial statements, and to meet its requirements as outlined in the Hospital Service Accountability Agreement with the Ontario Health East. The Corporation's Board of Directors perform periodic reviews of the Corporation's capital needs to ensure that they remain consistent with the risk tolerance that is acceptable to the Corporation.

21. Financial risks and concentration of credit risk:

(a) Credit risk:

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at March 31, 2023 is $1,015,000 (2022 - $925,000).

As at March 31, 2023, $1,969,822 (2022 - $1,229,754) of trade accounts receivable were past due, but not impaired.

There has been no significant change to the credit risk exposure from 2022.

21. Financial risks and concentration of credit risk (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. During the year, the Corporation's liquidity risk has increased as a result of the Corporation's investment in capital assets and the accrual for estimated settlements with employees related to the repeal of Bill 124. Additionally, the Corporation has been operating at significantly higher service levels than funded.

As at March 31, 2023, the Corporation continues to experience a net deficiency on the Statement of Financial Position and its current liabilities exceed its current assets by $19,271,308 (2022 - $453,181 current assets exceeds its current liabilities). The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations and provides regular reporting on financial results to the Board of Directors.

The Corporation has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. The Corporation has sufficient financial arrangements in place, including access to an operating line of credit as outlined in note 17, to settle this one-time obligation in the short term.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

The Corporation is exposed to interest rate risk through its interest bearing long-term debt and capital leases payable.

There has been no significant change to the interest rate risk exposure from 2022.

22. Impact of Bill 124:

On November 29, 2022, the Ontario Superior Court declared Bill 124 as void and of no effect. Also known as the Protecting a Sustainable Public Sector for Future Generations Act, 2019, Bill 124 limited wage increases for workers in the Broader Public Sector to 1.00% for a 3-year period. As a part of the Broader Public Sector to which the bill applies, the Corporation's employees were subject to the 1.00% cap on annual wage increases imposed by the legislation. The Corporation's collective agreements contain clauses that allow for the agreements to be reopened for negotiation on matters related to compensation should Bill 124 be appealed, amended, or declared unconstitutional by a court of competent jurisdiction. Currently, the Corporation's is in negotiations with its employee groups to determine settlements relating to collective agreement periods covered by Bill 124.

Based on recent settlements for similar matters, the Corporation's has accrued for expected liabilities relating to its obligations for the renegotiation of collective agreements impacted by Bill 124. The amounts are included in the Statement of Operations.

23. Comparative information:

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