

Financial Statements of

QUINTE HEALTH

Year ended March 31, 2024

QUINTE HEALTH

Table of Contents

Year ended March 31, 2024

Page

Independent Auditor's Report

Financial Statements

Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Net Assets (Deficiency).....	3
Statement of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

To the Directors of Quinte Health

Opinion

We have audited the financial statements of Quinte Health (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- 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, 2024, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

QUINTE HEALTH

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 2,263,754	\$ 27,080,628
Accounts receivable (note 3)	18,697,244	10,363,488
Inventories (note 4)	2,293,308	2,789,318
Prepaid expenses	4,441,453	6,082,942
	<u>27,695,759</u>	<u>46,316,376</u>
Capital assets (note 5)	192,964,038	179,082,904
	<u>\$ 220,659,797</u>	<u>\$ 225,399,280</u>
Liabilities, Deferred Capital Contributions and Net Assets (Deficiency)		
Current liabilities:		
Bank line of credit (note 18)	\$ 2,860,000	\$ –
Accounts payable and accrued liabilities (note 6)	62,507,810	65,587,684
	<u>65,367,810</u>	<u>65,587,684</u>
Long-term debt:		
Long-term debt (note 7)	137,178	159,514
Capital leases payable (note 8)	1,678,658	2,704,865
Asset retirement obligation (note 9)	6,044,651	5,112,870
Employee future benefit liabilities (note 10)	7,240,100	7,490,800
Deferred capital contributions (note 11)	163,135,116	160,735,591
Net assets (deficiency):		
Invested in capital assets (note 12(a))	29,977,032	15,205,662
Unrestricted (deficiency)	(52,920,748)	(31,597,706)
	<u>(22,943,716)</u>	<u>(16,392,044)</u>
Contingencies and commitments (notes 13 and 14)		
	<u>\$ 220,659,797</u>	<u>\$ 225,399,280</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

QUINTE HEALTH

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Ministry of Health/ Ontario Health (note 13(a))	\$ 270,183,905	\$ 243,038,469
Patient revenue	22,235,737	19,186,509
Marketed services	2,218,618	1,963,447
Recoveries and other revenue	3,778,801	3,087,495
Investment income	489,278	621,670
Other Ministry programs (note 16)	13,247,846	11,551,640
Amortization of deferred capital contributions – equipment	4,000,657	3,638,723
	<u>316,154,842</u>	<u>283,087,953</u>
Expenses:		
Compensation – salaries	148,737,478	144,323,187
Compensation – benefits	41,939,321	36,350,780
Medical staff remuneration	32,473,803	27,332,094
Medical and surgical supplies	12,157,399	11,048,232
Drugs and medicine	18,362,777	16,018,999
Supplies and other expenses	48,712,006	44,904,674
Other Ministry programs (note 16)	13,247,846	11,551,640
Employee future benefits	(250,700)	(261,089)
Amortization of capital assets – equipment	5,957,440	5,809,189
	<u>321,337,370</u>	<u>297,077,706</u>
Deficit of revenue over expenses from hospital operations	(5,182,528)	(13,989,753)
Amortization of deferred capital contributions		
- buildings and improvements	7,003,248	5,640,997
Amortization of capital assets - buildings and improvements	(7,440,611)	(6,555,958)
Asset retirement obligation (note 9)	(931,781)	–
	<u>(1,369,144)</u>	<u>(914,961)</u>
Deficiency of revenue over expenses	\$ (6,551,672)	\$ (14,904,714)

See accompanying notes to financial statements.

QUINTE HEALTH

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2024, with comparative information for 2023

	Invested in capital assets	Unrestricted	2024 Total	2023 Total
Balance (deficiency), beginning of year	\$ 15,205,662	\$ (31,597,706)	\$ (16,392,044)	\$ (1,487,330)
Deficiency of revenue over expenses (note 12(b))	(2,394,146)	(4,157,526)	(6,551,672)	(14,904,714)
Net change in investment in capital assets (note 12(b))	17,165,516	(17,165,516)	–	–
Balance (deficiency), end of year	\$ 29,997,032	\$ (52,920,748)	\$ (22,943,716)	\$ (16,392,044)

See accompanying notes to financial statements.

QUINTE HEALTH

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Operations:		
Deficiency of revenue over expenses	\$ (6,551,672)	\$ (14,904,714)
Items not involving cash:		
Amortization of capital assets	13,398,051	12,365,147
Increase in capital leases payable	-	2,094,235
Amortization of deferred capital contributions	(11,003,905)	(9,279,720)
Change in asset retirement obligation (note 9)	931,781	-
Change in non-cash working capital (note 17)	(9,276,131)	12,886,926
Change in bank indebtedness (note 18(a))	2,860,000	-
Change in employee future benefit liabilities	(250,700)	(265,000)
	<u>(9,892,576)</u>	<u>2,896,874</u>
Capital activities:		
Purchase of capital assets	(27,279,185)	(20,521,326)
Deferred capital contributions received	13,403,430	12,945,876
	<u>(13,875,755)</u>	<u>(7,575,450)</u>
Financing activities:		
Repayments of capital leases payable	(1,026,207)	(856,549)
Repayments of long-term debt	(22,335)	(23,020)
	<u>(1,048,542)</u>	<u>(879,569)</u>
Decrease in cash	<u>(24,816,873)</u>	<u>(5,558,145)</u>
Cash, beginning of year	27,080,628	32,638,773
Cash, end of year	<u>\$ 2,263,754</u>	<u>\$ 27,080,628</u>

See accompanying notes to financial statements.

QUINTE HEALTH

Notes to Financial Statements

Year ended March 31, 2024

Quinte Health (the “Organization”) 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.

With effect from October 19, 2023, the name of the Organization was changed from Quinte Health Care Corporation to Quinte Health.

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

Under the Health Insurances Act and Regulations thereto, the Organization 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, 2024. The Organization has entered into an accountability agreement with the Ontario Health East which requires that the Organization 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 Organization 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 performance obligations are fulfilled.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

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 Organization'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 Organization.

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.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(f) Employee future benefit liabilities:

The Organization 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 17 years (2023 - 16 years).

The Organization is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization 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, 2023 disclosed actuarial assets of \$112.7 billion (2023 - \$103.7 billion) with accrued pension liabilities of \$102.4 billion (2023 - \$92.7 billion), resulting in a surplus of \$10.2 billion (2023 - \$11 billion). This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2023 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, 2024.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(i) Asset retirement obligations:

The Organization 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:

The Organization adopted the following accounting standards applicable for fiscal years beginning April 1, 2023:

- PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.
- PS 3160 *Public Private Partnerships (P3s)* provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact on the financial statements of the Organization as a result of the adoption of these standards.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Accounts receivable:

	2024	2023
Ministry of Health/ Ontario Health	\$ 10,219,785	\$ 4,727,421
OHIP	1,390,161	1,647,710
Harmonized sales tax	2,598,803	1,945,921
Due from foundations	828,007	278,433
Other	4,526,488	2,779,003
	19,563,244	11,378,488
Less: allowance for doubtful accounts	(866,000)	(1,015,000)
	\$ 18,697,244	\$ 10,363,488

4. Inventories:

	2024	2023
Supply	\$ 884,330	\$ 955,695
Pandemic	51,687	306,869
Pharmacy	1,228,147	1,397,387
Food	129,144	129,367
	\$ 2,293,308	\$ 2,789,318

5. Capital assets:

Capital assets are comprised of the following items:

	Cost	Accumulated amortization	2024 Total	2023 Total
Land	\$ 1,178,178	\$ –	\$ 1,178,178	\$ 1,178,178
Land improvements	1,762,622	(1,477,620)	285,002	320,808
Buildings	283,191,483	(147,733,323)	135,458,160	137,828,665
Furniture and equipment	170,871,619	(148,316,201)	22,555,418	23,997,141
Projects in progress	33,487,280	–	33,487,280	15,758,112
	\$ 490,491,182	\$ (297,527,144)	\$ 192,964,038	\$ 179,082,904

Cost and accumulated amortization of capital assets at March 31, 2023 amounted to \$467,208,031 and \$288,125,127 respectively.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Accounts payable and accrued liabilities:

	2024	2023
Trade accounts payable and accruals	\$ 45,030,458	\$ 36,724,515
Accrued salaries and wages	6,904,378	19,146,006
Accrued vacation pay	9,650,439	8,787,398
Current portion of long-term debt (note 7)	24,337	25,607
Current portion of capital leases payable (note 8)	898,198	904,158
	<u>\$ 62,507,810</u>	<u>\$ 65,587,684</u>

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.

	2024	2023
Loan bearing interest at 2.8% per annum, repayable in blended monthly installments of \$2,379 until maturity in May 2025	\$ 161,515	\$ 185,121
Less current portion	24,337	25,607
	<u>\$ 137,178</u>	<u>\$ 159,514</u>

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

2025	\$	24,337
2026		137,178
	<u>\$</u>	<u>161,515</u>

Interest paid during the year on long-term debt amounted to \$4,854 (2023 - \$5,503).

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Capital leases payable:

	2024	2023
Capital lease on equipment (energy and facility renewal upgrade) bearing interest at 2.07% per annum repayable in blended monthly installments of \$27,866 until maturity on March 28, 2026	\$ 590,252	\$ 860,079
Capital lease on equipment (Omniceils) bearing interest at 4.5% per annum repayable in blended quarterly installments of \$18,918 until maturity at June 30, 2025 plus a 3 year extension of the lease	118,881	195,768
Capital lease on equipment (Omniceils) bearing interest at 3.95% per annum repayable in blended quarterly installments of \$53,006 until maturity at March 31, 2026 plus a 3 year extension of the lease	458,758	702,414
Capital lease on equipment (Omniceils) bearing interest at 4.5% per annum repayable in blended quarterly installments of \$35,063 until maturity at March 31, 2027 plus a 3 year extension of the lease	418,400	621,639
Capital lease on equipment (Endoscopy) bearing interest at 7.55% per annum repayable in blended quarterly installments of \$90,028 until maturity at July 3, 2027 plus a 3 year extension of the lease	990,565	1,229,123
	<u>2,576,856</u>	<u>3,609,023</u>
Less current portion	898,198	904,158
	<u>\$ 1,678,658</u>	<u>\$ 2,704,865</u>

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Capital leases payable (continued):

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

	Principal	Interest	Total
2025	\$ 292,066	\$ 9,453	\$ 301,519
2026	298,186	3,334	301,520
	\$ 590,252	\$ 12,787	\$ 603,039

Interest paid during the year on capital leases payable (energy and facility renewal upgrade) amounted to \$15,429 (2023 - \$21,282).

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

	Principal	Interest	Total
2025	\$ 349,049	\$ 36,819	\$ 385,868
2026	452,524	21,106	473,630
2027	194,465	6,750	201,215
	\$ 996,038	\$ 64,675	\$ 1,060,713

Interest paid during the year on capital leases payable (Omniceils) amounted to \$51,178 (2023 - \$57,993).

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

	Principal	Interest	Total
2025	\$ 257,083	\$ 67,622	\$ 324,705
2026	277,049	47,656	324,705
2027	298,566	26,139	324,705
2028	157,868	4,484	162,352
	\$ 990,566	\$ 145,901	\$ 1,136,467

Interest paid during the year on capital leases payable (Endoscopy) amounted to \$86,150 (2023 - \$24,274).

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

9. Asset retirement obligation:

The Organization'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 with current legislation.

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

	2024	2023
Balance, beginning of year	\$ 5,112,870	\$ 5,112,870
Less: obligations settled during the year	—	—
Add: remeasurement	931,781	—
Balance, end of year	\$ 6,044,651	\$ 5,112,870

10. Employee future benefits:

The Organization provides certain post-employment benefits to eligible employees upon retirement. The most recent actuarial valuation for the Organization was performed on March 31, 2024.

At March 31, 2024, the Organization's accrued benefit liabilities relating to post-retirement and post-employment benefit plans is \$7,065,100 (2023 - \$7,315,800).

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

Discount rate for calculation of Fiscal 2024 Net Benefit Cost	4.50%
Discount rate for calculation of March 31, 2024 disclosures	4.70%
Dental benefits escalation (2021-2025)	5.00%
Health benefits escalation (2021-2025)	5.97%

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Employee future benefits (continued):

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

	2024	2023
Accrued benefit liabilities, beginning of year	\$ 7,315,800	\$ 7,580,800
Current service costs	284,200	304,400
Interest on accrued benefit obligation	235,700	210,200
Benefits paid for the period	(503,400)	(526,800)
Amortization of actuarial gain	(267,200)	(252,800)
Accrued benefit liabilities, end of year	\$ 7,065,100	\$ 7,315,800

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

	2024	2023
Accrued benefit obligation	\$ 5,702,700	\$ 5,161,700
Unamortized experience gains	1,362,400	2,154,100
Accrued benefit liability	7,065,100	7,315,800
Other benefit liabilities	175,000	175,000
Total accrued benefit liability	\$ 7,240,100	\$ 7,490,800

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:

	2024	2023
Balance, beginning of year	\$ 160,735,591	\$ 157,069,435
Additional contributions received	13,403,430	12,945,876
	174,139,021	170,015,311
Less: amounts amortized to revenue	(11,003,905)	(9,279,720)
Balance, end of year	\$ 163,135,116	\$ 160,735,591

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

11. Deferred capital contributions (continued):

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

	2024	2023
Unamortized capital contributions used to purchase assets	\$ 160,248,635	\$ 160,083,098
Unspent contributions	2,886,481	652,493
	<u>\$ 163,135,116</u>	<u>\$ 160,735,591</u>

Included in unspent contributions is \$Nil (2023 - \$284,197) related to Health Infrastructure Renewal Funding that was approved by the Ministry of Health to be carried forward to the 2025 fiscal year.

12. Invested in capital assets:

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

	2024	2023
Capital assets	\$ 192,964,038	\$ 179,082,904
Amounts financed by:		
Deferred contributions	(160,248,635)	(160,083,098)
Long-term debt	(161,515)	(185,121)
Capital leases payable	(2,576,857)	(3,609,023)
	<u>\$ 29,977,032</u>	<u>\$ 15,205,662</u>

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

	2024	2023
Excess of expenses over revenue:		
Amortization of capital assets	\$ (13,398,051)	\$ (12,365,147)
Amortization of deferred capital contributions	11,003,905	9,279,720
	<u>\$ (2,394,146)</u>	<u>\$ (3,085,427)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 27,279,185	\$ 20,521,326
Amounts funded by deferred contributions	(11,169,442)	(14,505,599)
Increase in capital leases payable	–	(2,094,235)
Repayments of capital leases payable	1,026,207	856,549
Repayments of long-term debt	22,335	23,020
Other	7,231	–
	<u>\$ 17,165,516</u>	<u>\$ 4,801,061</u>

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

13. Contingent Liabilities:

- (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 Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2024, management believes that the Organization 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 Organization's financial position.

(c) Healthcare Insurance Reciprocal of Canada:

The Organization 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, 2024.

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, 2024.

(d) Employment matters:

During the normal course of operations, the Organization 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.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

13. Contingent liabilities (continued):

(e) Environmental site assessment:

In 2018, the Organization 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 Organization 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.

14. Commitments

- a) The Organization is currently in the implementation phase of a major information systems project (referred to as "Lumeo") to replace its current core clinical and business information systems which is expected to be implemented over the next two years. The clinical systems project is 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 Organization. Under the agreement, the Organization is responsible for a proportionate share of regional costs and is separately responsible for specific costs relating to the local site clinical and business information systems implementation.

In 2021, the Organization's Board of Directors approved the Lumeo projects with a total cost of ownership of approximately \$55 million over 10 years.

The overall project will be financed through a combination of long-term debt and contribution commitments by the Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, and Prince Edward County Memorial Hospital Foundation during the life of the project.

Costs incurred to date of \$19.2 million (2023 - \$1.7 million) relating to this project are included in 'Capital assets' on the Statement of Financial Position.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

14. Commitments (continued):

- b) The Organization is engaged with the Ministry of Health Capital Branch to support the redevelopment of the Prince Edward County Memorial Hospital which will be funded from deferred contributions by the Ministry of Health and the Prince Edward County Memorial Hospital Foundation. The Organization is anticipated to finalize procurement in the summer of 2024, followed by Construction with a targeted date of completion in late 2027. The Organization has spent \$11,827,703 (2023 - \$5,587,275) on the project which is included in 'Capital assets' on the Statement of Financial Position.

15. Ministry of Health funding:

Included in Ministry of Health revenue is funding for Hospital On-Call coverage totaling \$3,140,852 (2023 - \$2,703,241) and funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2024 of \$8,082,266 (2023 - \$7,920,283).

16. Other Ministry Programs:

Included in Other Ministry Programs is funding from the Ministry of Children, Community and Social Services for Child Treatment Rehabilitation Services totaling \$4,607,558 (2023 - \$4,169,344), Complex Special Needs \$457,100 (2023 - \$457,100) and funding for Child & Youth Community Supports for the year ended March 31, 2024 of \$992,704 (2023 - \$843,195).

17. Change in non-cash operating working capital:

	2024	2023
Accounts receivable	\$ (8,333,756)	\$ 8,959,798
Inventories	496,010	(607,024)
Prepaid expenses	1,641,489	(1,273,298)
Accounts payable and accrued liabilities	(3,079,874)	5,807,451
	\$ (9,276,131)	\$ 12,886,927

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Credit facilities:

- a) The Organization's financial agreement with its bank provides for an operating facility of up to \$18 million (2023 - \$12 million) to address operating requirements and to bridge capital expenditures. The unsecured, operating line is due on demand and bears interest at the bank prime rate less 0.65% (2023 - prime rate less 0.9%) per annum. As at March 31, 2024, the amount drawn was \$2,860,000 (2023 - \$Nil) and interest paid on this facility during 2024 amounted to \$75,971 (2023 - \$Nil)
- b) To support the Organization's Lumeo project, the Organization entered into a regionally negotiated loan agreement with the Ontario Finance Authority ("OFA") for two demand credit facilities with a combined limit of \$50 million, plus capitalized interest. The loan has a variable interest rate based on the Province of Ontario's Floating Rate plus 3.3 basis points, compounded quarterly. The loan structure provides for the conversion of the credit facilities into a long-term debt facility upon completion of the project.

As at March 31, 2024, the Organization has drawn \$Nil on the Ontario Financing Authority credit facilities. Subsequent to the Statement date, in April 2024, the Organization received proceeds of \$19.5 million from an advance on the facility to finance total projected Lumeo development costs to May 2024.

19. Pension plan:

Substantially all of the employees of the Organization 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 Organization on behalf of its employees amounted to \$12,651,993 (2023 - \$10,475,472) 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 2023 Annual Report indicates the plan is fully funded at 115%.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

20. 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 Organization 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 Organization.

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

	Equipment		Building	
	2024	2023	2024	2023
The Belleville General Hospital Foundation Inc.	\$ 2,216,000	\$ 1,028,089	\$ 330,000	\$ –
Trenton Memorial Hospital Foundation	1,956,931	968,720	–	–
Prince Edward County Memorial Hospital Foundation	808,281	912,499	60,925	–
North Hastings Fund Development Committee	882,015	94,375	–	–
	<u>\$ 5,863,227</u>	<u>\$ 3,003,683</u>	<u>\$ 390,925</u>	<u>\$ –</u>

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

The Organization has an economic interest in the auxiliaries. Quinte Health Care Organization Auxiliaries promote and extend the interests of the Organization 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 Organization through liaison with the Department of Communications and Community Relations. The auxiliaries also raise funds for the Organization to be allocated to special gifts in a manner satisfactory to the administration of the Organization and in harmony with the planning of the community. Quinte Health Care Organization Auxiliaries supported the Organization through donations to fund equipment purchases and special program costs.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

20. Related party transactions (continued):

(c) Shared Digital Imaging Infrastructure Program:

The Organization 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.

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 (“IHF’s”), LHINs and, ultimately, all patients served.

21. Capital management:

The Organization's objectives with respect to capital management are to maintain a minimum capital base that allows the Organization 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 Organization's Board of Directors perform periodic reviews of the Organization's capital needs. Within this context, the Board of Directors approved an OFA credit facility which is subsequently drawn upon in April 2024 to improve the working capital position of the organization during the Lumeo development phase. Additionally, the Organization is working with the Ministry and Ontario Health to address the implications of structural funding issues and its associated implications on working capital requirements of the business.

22. 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, 2024 is \$866,000 (2023 - \$1,015,000).

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

As at March 31, 2024, \$1,728,512 (2023 - \$1,969,822) of trade accounts receivable were past due, but not impaired.

There has been no significant change to the credit risk exposure from 2023.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization's liquidity risk increased in the current year due to operating at significantly higher service levels than funded which was combined with the timing of Bill 124 arbitration awards funding and investment in capital asset projects.

As at March 31, 2024, the Organization continues to experience a net deficiency on the Statement of Financial Position and its current liabilities exceed its current assets by \$37,244,461 (2023 - \$19,271,309 current liabilities exceeds its current assets).

The organization approved a short-term and long-term credit facility structure to address liquidity pressures arising from the organization's Regional Health Information System project which was drawn on in April 2024.

The Organization manages its liquidity risk by monitoring its operating requirements. The Organization 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.

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 Organization to cash flow interest rate risk.

The Organization 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 2023.

23. 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 part of the Broader Public Sector to which the bill applies, the Organization's employees were subject to the 1.00% cap on annual wage increases imposed by the legislation.

QUINTE HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2024

23. Impact of Bill 124 (continued):

The Organization's collective agreements contained clauses that allowed for the agreements to be reopened for negotiation on matters related to compensation should Bill 124 be appealed or declared unconstitutional by a court of competent jurisdiction.

As of March 31st, 2024, the Organization has completed negotiation with all applicable employees for the wage adjustments related to the Bill 124 moderation period. Any amounts owing or paid to employees above the Organization's previously accrued amounts are included under "Compensation - salary and benefits" on the Statement of Operations.

During the fiscal year, the MOH announced funding programs to support eligible organizations with the one-time and ongoing costs related to retroactive wage settlements for the Bill 124 moderation period. Under these funding programs, the Organization recognized \$26,791,900 (2023 - \$Nil) in revenue under Ministry of Health/Ontario Health on the Statement of Operations of which the Organization estimates that \$9,606,372 relates to expenses recognized in previous fiscal years.

24. Comparative information:

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