

Halton Healthcare Services Corporation  
Financial Statements  
For the year ended March 31, 2024

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For the year ended March 31, 2024

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## Independent Auditor's Report

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### To the Board of Directors of Halton Healthcare Services Corporation

#### Opinion

We have audited the financial statements of Halton Healthcare Services Corporation (“HHSC”), which comprise the statement of financial position as at March 31, 2024, and the statements of changes in net assets, accumulated remeasurement losses, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the HHSC 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 report. We are independent of the HHSC 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the HHSC'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 these financial statements.

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## Independent Auditor's Report

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### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 HHSC'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 HHSC'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 HHSC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario  
June 14, 2024

Halton Healthcare Services Corporation  
Statement of Financial Position  
(expressed in thousands)

| <b>As at March 31,</b>                              | <b>2024</b>         | <b>2023</b>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                       |                     |                     |
| Current Assets                                      |                     |                     |
| Cash and cash equivalents                           | \$ 124,729          | \$ 130,064          |
| Restricted cash (note 3)                            | 56,901              | 49,751              |
| Short-term investments (note 4)                     | 19,927              | 15,142              |
| Accounts receivable (note 5)                        | 24,157              | 22,268              |
| Due from related parties (note 6)                   | 1,174               | 1,029               |
| Current portion of long-term receivable (note 7b,c) | 16,716              | 15,587              |
| Inventories   | 3,147               | 3,056               |
| Prepaid expenses                                    | 5,033               | 4,427               |
|   | <b>251,784</b>      | <b>241,324</b>      |
| Long-term investments (note 4)                      | 2,498               | 9,569               |
| Long-term receivable (note 7b,c)                    | 653,558             | 669,976             |
| Capital assets (note 7a)                            | 1,463,736           | 1,464,917           |
|   | <b>\$ 2,371,576</b> | <b>\$ 2,385,786</b> |
| <b>LIABILITIES AND NET ASSETS</b>                   |                     |                     |
| Current Liabilities                                 |                     |                     |
| Accounts payable and accrued liabilities (note 8)   | \$ 148,250          | \$ 155,939          |
| Current portion of long-term debt (note 15)         | 2,634               | 2,521               |
| Current portion of long-term payable (note 7b,c)    | 16,418              | 15,538              |
|   | <b>167,302</b>      | <b>173,998</b>      |
| Deferred grants (note 14)                           | 1,356,596           | 1,394,704           |
| Long-term debt (note 15)                            | 73,770              | 76,404              |
| Long-term payable (note 7b,c)                       | 653,558             | 669,976             |
| Interest rate swaps (note 15)                       | 3,742               | 7,126               |
| Asset retirement obligation (note 9)                | 724                 | 702                 |
| Post-retirement and employment benefits (note 10)   | 15,460              | 14,720              |
|   | <b>2,271,152</b>    | <b>2,337,630</b>    |
| Commitments and contingencies (note 7b,c and 12)    |                     |                     |
| <b>Net assets</b>                                   | <b>104,166</b>      | <b>55,282</b>       |
| <b>Accumulated remeasurement losses</b>             | <b>(3,742)</b>      | <b>(7,126)</b>      |
|   | <b>\$ 2,371,576</b> | <b>\$ 2,385,786</b> |

On behalf of the Board of Directors:

Director

Director

# Halton Healthcare Services Corporation

## Statement of Changes in Net Assets

(expressed in thousands)

| <b>For the year ended March 31,</b>                                 | <b>2024</b> |                | <b>2023</b> |         |
|---|-------------|----------------|-------------|---------|
| <b>Net Assets, beginning of the year</b>                            | <b>\$</b>   | <b>55,282</b>  | <b>\$</b>   | 63,478  |
| Excess (Deficiency) of revenues over expenses                       |             | <b>5,584</b>   |             | (8,196) |
| Contribution received for a non-depreciable capital asset (note 7a) |             | <b>43,300</b>  |             | -       |
| <b>Net Assets, end of the year</b>                                  | <b>\$</b>   | <b>104,166</b> | <b>\$</b>   | 55,282  |

Halton Healthcare Services Corporation  
Statement of Accumulated Remeasurement Losses  
(expressed in thousands)

| <b>For the year ended March 31,</b>                             | <b>2024</b> |                | <b>2023</b> |                 |
|---|-------------|----------------|-------------|-----------------|
| <b>Accumulated remeasurement losses, beginning of year</b>      | <b>\$</b>   | <b>(7,126)</b> | <b>\$</b>   | <b>(12,165)</b> |
| Unrealized gains attributable to derivative interest rate swaps |             | <b>3,384</b>   |             | 5,039           |
| <b>Accumulated remeasurement losses, end of the year</b>        | <b>\$</b>   | <b>(3,742)</b> | <b>\$</b>   | <b>(7,126)</b>  |

# Halton Healthcare Services Corporation

## Statement of Operations

(expressed in thousands)

| <b>For the year ended March 31,</b>  | <b>2024</b>     | <b>2023</b>       |
|--|-----------------|-------------------|
| <b>Revenues</b>  |                 |                   |
| Ministry of Health and Long-term Care (note 18)  | \$ 582,490      | \$ 527,213        |
| Interest income  | 8,389           | 5,821             |
| Other operational income   | 84,730          | 73,127            |
| Deferred grant amortization  | 12,292          | 13,890            |
|  | <u>687,901</u>  | <u>620,051</u>    |
| <b>Expenses</b>  |                 |                   |
| Salaries, wages and benefits (note 10 and 18)  | 480,419         | 448,502           |
| Supplies and other expenses (note 15)  | 116,273         | 101,000           |
| Medical and surgical supplies  | 36,701          | 34,035            |
| Drugs  | 32,487          | 25,833            |
| Equipment amortization   | 15,204          | 16,394            |
|  | <u>681,084</u>  | <u>625,764</u>    |
| <b>Excess (Deficiency) of revenues over expenses before building interest and amortization</b> | <b>6,817</b>    | <b>(5,713)</b>    |
| <b>Building interest and amortization, net (note 14)</b>                                       | <b>(1,233)</b>  | <b>(2,483)</b>    |
| <b>Excess (Deficiency) of revenues over expenses</b>   | <b>\$ 5,584</b> | <b>\$ (8,196)</b> |



# Halton Healthcare Services Corporation

## Statement of Cash Flows

(expressed in thousands)

| <b>For the year ended March 31,</b>                                 | <b>2024</b>       | <b>2023</b>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                         |                   |                   |
| Excess (Deficiency) of revenues over expenses                       | \$ 5,584          | \$ (8,196)        |
| Adjustment for items not affecting cash:                            |                   |                   |
| Amortization of capital assets                                      | 64,691            | 65,505            |
| Loss on disposal of capital assets                                  | 2,998             | -                 |
| Amortization of deferred grants                                     | (60,546)          | (60,518)          |
| Post-retirement and employment benefits                             | 740               | 634               |
| Accretion expense   | 22                | 22                |
| Changes in non-cash working capital items:                          |                   |                   |
| Accounts receivable   | (1,889)           | 13,897            |
| Due from related parties  | (145)             | 354               |
| Inventories   | (91)              | 462               |
| Prepaid expenses  | (606)             | (195)             |
| Accounts payable and accrued liabilities                            | (7,689)           | 19,143            |
|   | <u>3,069</u>      | <u>31,108</u>     |
| <b>Cash flows used in investing activities</b>                      |                   |                   |
| Decrease in long-term receivable                                    | 15,289            | 14,839            |
| (Increase) Decrease in investments                                  | 2,286             | (22,330)          |
| (Increase) Decrease in restricted cash                              | (7,150)           | 2,423             |
|   | <u>10,425</u>     | <u>(5,068)</u>    |
| <b>Cash flows used in capital activities</b>                        |                   |                   |
| Purchase of capital assets  | (66,524)          | (20,677)          |
| Proceeds on disposal of capital assets                              | 16                |                   |
|   | <u>(66,508)</u>   | <u>(20,677)</u>   |
| <b>Cash flows from financing activities</b>                         |                   |                   |
| Contributions received for capital purposes                         | 22,438            | 16,397            |
| Repayment of long-term debt   | (2,521)           | (2,413)           |
| Decrease in long-term payable, net                                  | (15,538)          | (14,708)          |
| Contribution received for a non-depreciable capital asset (note 7a) | 43,300            | -                 |
|   | <u>47,679</u>     | <u>(724)</u>      |
| <b>Increase (decrease) in cash, during the year</b>                 | <b>(5,335)</b>    | <b>4,639</b>      |
| <b>Cash, beginning of year</b>                                      | <b>130,064</b>    | <b>125,425</b>    |
| <b>Cash, end of year</b>  | <b>\$ 124,729</b> | <b>\$ 130,064</b> |

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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### 1. Operations

Halton Healthcare Services Corporation (“HHSC”) is a non-profit organization incorporated without share capital under the laws of Ontario. HHSC is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

HHSC was created on August 1, 1998 as a result of the amalgamation of the Oakville-Trafalgar Memorial Hospital Association (“OTMH”) and the Milton District Hospital (“MDH”). On January 2, 2006, the operations of the Georgetown Hospital (“GH”) were transferred to HHSC. HHSC is principally involved in providing health care services to the Towns of Halton Hills, Milton, and Oakville and their surrounding communities.

These financial statements include the assets, liabilities, and activities of HHSC. The Oakville Hospital Volunteer Association, Milton District Hospital Auxiliary, Georgetown Hospital Volunteer Association, Oakville Hospital Foundation, Milton District Hospital Foundation, The Georgetown Hospital Foundation and Halton Healthcare LTC Inc. are separate entities whose financial information is reported separately from HHSC.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) including accounting standards that apply only to government not-for-profit organizations.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and bank balances.

#### *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Inventory consists of medical and general supplies used in HHSC's operations and not for resale purposes.

#### *Capital Assets*

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed as incurred. Betterments which extend the estimated life of an asset are capitalized.

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

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)  
For the year ended March 31, 2024

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

#### Capital Assets (continued)

Capital assets are amortized on a straight-line basis at annual rates based on the estimated useful lives of the assets:

|                            |                |
|----------------------------|----------------|
| Land improvement           | 10 years       |
| Buildings                  | 10 to 50 years |
| Building service equipment | 10 to 20 years |
| Major equipment            | 3 to 10 years  |

Capital projects in progress are not amortized until projects are substantially complete and the assets are ready for use.

#### Asset Retirement Obligation

A liability for an asset retirement obligation is recognized when 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. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

#### Pension plan

Substantially all of the employees of HHSC are eligible to be members of the Healthcare of Ontario Pension Plan (“HOOPP”), which is a multi-employer, best five years average earnings and contributory pension plan. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

#### Public Private Partnerships

HHSC initially recognizes infrastructure, or a betterment to infrastructure, procured through a public private partnership arrangement as an asset at cost where, through the terms and economic substance of the public private partnership the public sector entity controls the purpose and use of the infrastructure, access to the future economic benefits and exposure to risks of the infrastructure asset, and any significant residual interest in the infrastructure at the end of the public private partnership's term. Where cost of the infrastructure asset is neither determinable nor verifiable from the public private partnership process and agreement, cost is determined to be the estimated fair value of the asset at the transaction date.

Infrastructure assets are subsequently amortized on a straight-line basis over their estimated useful lives as follows:

- New Oakville Trafalgar Memorial Hospital at 3001 Hospital Gate, Oakville – 40 years
- Milton District Hospital at 725 Bronte St. S, Milton – 40 years

When HHSC recognizes an infrastructure asset in relation to a public private partnership and has an obligation to provide consideration to the private sector partner, it recognizes a liability that is initially measured at the same amount as the related infrastructure asset, reduced by any consideration previously provided to the private sector partner.

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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

#### *Public Private Partnerships (continued)*

The financial liability is subsequently measured at amortized cost using the effective interest method. The rate implicit to the agreement was utilized as the discount rate for determining the related financing charge.

#### *Employee future benefits*

The cost of post-employment benefits is determined using the projected benefit method pro-rated on service and various assumptions. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. The spread is equal to 70% of the spread between Ontario provincial and AA corporate bonds. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed in the period of the plan amendment.

#### *Revenue Recognition*

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

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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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

Amortization of buildings is not fully funded by the Ontario Ministry of Health and Long-term Care ("MOHLTC") and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Parking revenues are recognized when the service is provided.

Under the Health Insurance Act and Regulations thereto, HHSC is funded primarily by the Province of Ontario in accordance with funding arrangements established by the MOHLTC, and Ontario Health ("OH").

HHSC has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2024 with the MOHLTC and OH that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to HHSC by the MOHLTC/OH. The H-SAA also sets out the performance standards and obligations of HHSC that establish acceptable results for HHSC's performance in a number of areas. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the MOHLTC/OH with respect to the year ended March 31, 2024.

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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

#### *Financial Instruments*

HHSC is party to an interest rate swap agreement that manages the exposure to market risks from changing interest rates. At March 31, 2024, \$76,404 (2023 - \$78,925) has been advanced under this interest rate swap. HHSC's policy is not to utilize derivative financial instruments for trading or speculative purposes.

HHSC classifies its financial instruments as either fair value or amortized cost. HHSC's accounting policy for each category is as follows:

#### *Fair value*

This category is comprised of cash, restricted cash and derivative instruments. They are initially measured at cost and subsequently carried at fair value with changes in fair value recognized in the statement of accumulated remeasurement losses until they are realized, when they are transferred to the statement of operations. Transaction costs related to financial instruments in the fair value category are expensed as incurred.

When a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

#### *Amortized Cost*

This category includes accounts receivable, investments, long-term receivable, due from related parties, accounts payable and accrued liabilities, long-term payable, and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except financial contributions, which are recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

#### *Use of Estimates*

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectability of accounts receivable, accrued liabilities, deferred revenue, asset retirement obligations and employee future benefits.

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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

#### *Contributed Services*

A substantial number of volunteers contribute a significant amount of their time each year to HHSC. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

### 3. Restricted Cash

Restricted cash represents funds internally and externally restricted for the purpose of redevelopment projects. The externally restricted portion totaled \$20,399 (2023 - \$20,232).

### 4. Short-term and Long-term Investments

Short-term investments include restricted and unrestricted funds invested in guaranteed investment certificates ("GICs") that earn interest between 5.25% and 6.45% (2023 – 4.85% and 5.25%) with maturity dates ranging from May 2024 to November 2024 (2023 – May 2023 to March 2024).

Long-term investments include restricted funds invested in GICs that earn interest of 4.80% (2023 – 5.25%) maturing on March 2026 (2023 – May 2024 to November 2024).

### 5. Accounts Receivable

|                            | 2024             | 2023             |
|----------------------------|------------------|------------------|
| MOHLTC                     | \$ 14,023        | \$ 11,033        |
| Patients, net of allowance | 5,937            | 6,268            |
| Harmonized Sales Tax (HST) | 2,547            | 4,088            |
| Other                      | 1,650            | 879              |
|                            | <u>\$ 24,157</u> | <u>\$ 22,268</u> |

### 6. Due from Related Parties

|   | 2024            | 2023            |
|---|-----------------|-----------------|
| Oakville Hospital Foundation            | \$ 509          | \$ 551          |
| Milton District Hospital Foundation     | 96              | 84              |
| The Georgetown Hospital Foundation      | 140             | 79              |
| Oakville Hospital Volunteer Association | 429             | 315             |
|   | <u>\$ 1,174</u> | <u>\$ 1,029</u> |

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 7. Capital Assets

#### a) Capital Assets

|                             | 2024                |                          | 2023                |                          |
|-----------------------------|---------------------|--------------------------|---------------------|--------------------------|
|                             | Cost                | Accumulated Amortization | Cost                | Accumulated Amortization |
| Land                        | \$ 78,306           | \$ -                     | \$ 31,396           | \$ -                     |
| Land improvement            | 5,391               | 2,394                    | 5,352               | 1,874                    |
| Buildings                   | 1,677,109           | 374,046                  | 1,677,112           | 332,724                  |
| Building service equipment  | 50,949              | 38,421                   | 43,948              | 31,037                   |
| Major equipment             | 244,825             | 185,055                  | 233,600             | 170,558                  |
| Capital projects in process | 7,072               | -                        | 9,702               | -                        |
|                             | <b>\$ 2,063,652</b> | <b>\$ 599,916</b>        | <b>\$ 2,001,110</b> | <b>\$ 536,193</b>        |
| Net book value              |                     | <b>\$ 1,463,736</b>      |                     | <b>\$ 1,464,917</b>      |

Capital projects in process reflect monies expended on assets not yet in use including the pre-planning and design of the Georgetown Hospital redevelopment project and build-out of the Oakville Trafalgar Memorial Hospital shell-in space.

Included within the cost of land is a parcel of land that was contributed to HHSC by Walker Wood Limited, for the purpose of developing hospital facilities. The \$43,300 contribution was reflected as a direct increase to net assets.

#### b) New Oakville Trafalgar Memorial Hospital

In July 2011, HHSC entered into the New Oakville Hospital Project Agreement ("NOH PA") with a third party construction company, Hospital Infrastructure Partners Partnership ("HIP"), to design, build, finance, and maintain (for a 30-year term) the Oakville hospital project.

The balance of the amount due to HIP of \$548,230 (2023 - \$560,258) is related to the construction of the buildings, bears interest of 6.19% and is funded by the MOHLTC. The receivable related to the Oakville project is \$548,491 (2023 - \$560,306). The payments over the next five years and thereafter are as follows:

|            | Debt              | Interest          | Operating Costs   | Life Cycle        |
|------------|-------------------|-------------------|-------------------|-------------------|
| 2025       | \$ 12,794         | \$ 33,551         | \$ 14,287         | \$ 2,542          |
| 2026       | 13,608            | 32,796            | 14,495            | 3,968             |
| 2027       | 14,474            | 31,869            | 14,827            | 6,779             |
| 2028       | 15,395            | 31,009            | 15,043            | 11,539            |
| 2029       | 16,374            | 29,966            | 15,389            | 10,057            |
| Thereafter | 475,585           | 281,154           | 296,371           | 212,535           |
|            | <b>\$ 548,230</b> | <b>\$ 440,345</b> | <b>\$ 370,412</b> | <b>\$ 247,420</b> |
| Current    | 12,794            | 33,551            | 14,287            | 2,542             |
| Long Term  | 535,436           | 406,794           | 356,125           | 244,878           |
| Total      | <b>\$ 548,230</b> | <b>\$ 440,345</b> | <b>\$ 370,412</b> | <b>\$ 247,420</b> |

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 7. Capital Assets *(continued)*

#### b) New Oakville Trafalgar Memorial Hospital *(continued)*

Part of the NOH PA and HIP requires that it provide certain operating and maintenance services. The debt, operating and maintenance services are payable in blended average monthly installments of \$5,974 and the NOH PA matures on July 31, 2045. The total remaining operating and maintenance service costs are projected to be \$370,412 over the term of the NOH PA. In addition, HHSC is committed to making total payments of approximately \$247,420 related to life cycle maintenance over the remaining term of the NOH PA. These payments are to be substantially funded by the MOHLTC and included in revenue from the MOHLTC.

#### c) Milton District Hospital

On March 30, 2015, HHSC entered into the Milton District Hospital Redevelopment Project Agreement ("MDH PA") with a third party construction company, Plenary Health Milton LP ("Plenary"), to design, build, finance, and maintain the Milton hospital redevelopment project.

The balance of the amount due to Plenary of \$121,746 (2023 - \$125,256) is related to the construction of the buildings and bears interest of 4.47% and is funded by the MOHLTC. The receivable related to the Milton hospital project is \$121,783 (2023 – \$125,257).

The payments over the next five years and thereafter are as follows:

|            | <b>Debt</b>       | <b>Interest</b>  | <b>Operating<br/>Costs</b> | <b>Life Cycle</b> |
|------------|-------------------|------------------|----------------------------|-------------------|
| 2025       | \$ 3,624          | \$ 4,962         | \$ 3,053                   | \$ 1,227          |
| 2026       | 3,672             | 4,847            | 3,107                      | 1,139             |
| 2027       | 3,792             | 4,727            | 3,163                      | 1,243             |
| 2028       | 3,915             | 4,604            | 3,220                      | 1,466             |
| 2029       | 4,042             | 4,477            | 3,278                      | 1,711             |
| Thereafter | 102,701           | 53,525           | 70,727                     | 49,952            |
|            | <b>\$ 121,746</b> | <b>\$ 77,142</b> | <b>\$ 86,548</b>           | <b>\$ 56,738</b>  |
| Current    | 3,624             | 4,962            | 3,053                      | 1,227             |
| Long Term  | 118,122           | 72,180           | 83,495                     | 55,511            |
| Total      | <b>\$ 121,746</b> | <b>\$ 77,142</b> | <b>\$ 86,548</b>           | <b>\$ 56,738</b>  |

Part of the MDH PA with Plenary requires that it provide certain building operating and maintenance services. The debt, operating and maintenance services are payable in blended average monthly installments of \$1,038 and the MDH PA matures on April 1, 2047. The total remaining operating and maintenance service costs over the term of the MDH PA is \$86,548. In addition, HHSC is committed to making total payments of approximately \$56,738 related to life cycle maintenance over the remaining term of the MDH PA. These payments are substantially funded by the MOHLTC and included in revenue from the MOHLTC.



# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 8. Accounts Payable and Accrued Liabilities

|                           | <u>2024</u>       | <u>2023</u>       |
|---------------------------|-------------------|-------------------|
| MOHLTC                    | \$ 60,873         | \$ 61,087         |
| Trade                     | 39,424            | 38,751            |
| Government remittances    | 2,253             | 5,559             |
| Wage and benefit accruals | 44,089            | 49,550            |
| Other liabilities         | 1,611             | 992               |
|                           | <u>\$ 148,250</u> | <u>\$ 155,939</u> |

### 9. Asset Retirement Obligations

An asset retirement obligation has been recognized in respect to the appropriate handling and removal of asbestos present within the buildings at the MDH and GH sites. The related asset retirement costs are being amortized on a straight-line basis over the useful life of the buildings. The liability has been estimated using a net present value technique with a discount rate of 4.30%. The estimated total undiscounted future expenditures of \$933 will be incurred over the useful life of the buildings, with the liabilities expected to be settled by 2030 and 2035.

The carrying amount of the liability is as follows:

|                            | <u>2024</u>   | <u>2023</u>   |
|----------------------------|---------------|---------------|
| Balance, beginning of year | \$ 702        | \$ 680        |
| Accretion expense          | 22            | 22            |
| Balance, end of year       | <u>\$ 724</u> | <u>\$ 702</u> |

### 10. Post-retirement and Employment Benefits

#### *Pension*

Substantially all of the employees of HHSC are members of HOOPP. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2023 disclosed net assets available for benefits of \$112,635,000 with pension obligations of \$102,454,000, resulting in a surplus of \$10,181,000. During the year, employer contributions made by HHSC to HOOPP amounted to \$27,573 (2023 - \$22,270) and are included in salaries, wages and employee benefits in the statement of operations.

#### *Non-Pension*

Certain employees of HHSC are entitled to certain post-employment benefits. HHSC recognizes the present value of its obligation from these benefits as they are earned. At March 31, 2024, HHSC's accrued benefit obligation, related to post-retirement benefit plan is estimated to be \$15,460 (2023 - \$14,720). The most recent actuarial valuation of the obligation was performed as at March 31, 2022.

The significant actuarial assumptions adopted in estimating HHSCs' accrued benefit obligations are as follows:

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 10. Post-retirement and Employment Benefits *(continued)*

#### *Non-Pension (continued)*

|                                  |                                |
|----------------------------------|--------------------------------|
| Discount rate                    | 4.70% (2023 – 4.50%)           |
| Dental benefits cost escalation  | 3.00% (2023 – 3.00%) per annum |
| Medical benefits cost escalation | 5.70% (2023 – 5.70%) per annum |

Included in salaries, wages and employee benefits in the statement of operations is an expense of \$740 (2023 - \$634) relating to non-pension future employee benefits.

### 11. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

|  | Fair Value | Amortized Cost |
|--|------------|----------------|
| Cash                                     | \$ 124,729 | \$ -           |
| Restricted cash                          | 56,901     | -              |
| Short-term investments                   | -          | 19,927         |
| Accounts receivable                      | -          | 24,157         |
| Long-term investments                    | -          | 2,498          |
| Long-term receivable                     | -          | 670,274        |
| Due from Related Parties                 | -          | 1,174          |
| Accounts payable and accrued liabilities | -          | (148,250)      |
| Long-term debt                           | -          | (76,404)       |
| Asset retirement obligation              | -          | (724)          |
| Long-term payable                        | -          | (669,976)      |
| Interest rate swap                       | (3,742)    | -              |

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 11. Financial Instrument Classification *(continued)*

|                     | Level 1    | Level 2 | Level 3    | Total      |
|---------------------|------------|---------|------------|------------|
| Cash                | \$ 124,729 | \$ -    | \$ -       | \$ 124,729 |
| Restricted cash     | 56,901     | -       | -          | 56,901     |
| Interest rate swaps | -          | -       | (3,742)    | (3,742)    |
| Total               | \$ 181,630 | \$ -    | \$ (3,742) | \$ 177,888 |

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2024. There were also no transfers in or out of Level 3 during the year.

### 12. Commitments and contingencies

a) Outstanding commitments for service contracts for the next five years are as follows:

|      |                  |
|------|------------------|
| 2025 | \$ 3,494         |
| 2026 | 1,952            |
| 2027 | 1,952            |
| 2028 | 1,952            |
| 2029 | 651              |
|      | <u>\$ 10,001</u> |

b) Due to the nature of its operations, HHSC is periodically subject to lawsuits in which HHSC is a defendant. With respect to claims and possible claims at March 31, 2024, management believes HHSC has valid defenses and/or appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material adverse effect on HHSC's financial position and results of operations.

### 13. Financial Instrument Risk Management

#### *Credit risk*

Credit risk is the risk of financial loss to HHSC if a debtor fails to make payments of interest and principal when due. HHSC is exposed to this risk relating to its cash and cash equivalents, restricted cash, investments, accounts receivable, due from related parties and long-term receivable. HHSC holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

HHSC's credit risk is primarily attributable to its receivables which are due from the MOHLTC and patients. Credit risk is mitigated by the financial solvency of the provincial government and highly diversified nature of the patient population.

HHSC measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on HHSC's historical experience regarding collections. The amounts outstanding at year end were as follows:

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 13. Financial Instrument Risk Management *(continued)*

#### *Credit risk (continued)*

|                            | Total     | Current   | Past Due   |            |             |          |
|----------------------------|-----------|-----------|------------|------------|-------------|----------|
|                            |           |           | 30-60 days | 61-90 days | 91-120 days | 121 plus |
| MOHLTC                     | \$ 14,023 | \$ 14,023 | \$ -       | \$ -       | \$ -        | \$ -     |
| Patients                   | 12,964    | 7,019     | 1,637      | 1,254      | 508         | 2,546    |
| Other                      | 4,197     | 4,197     | -          | -          | -           | -        |
| Gross receivables          | 31,184    | 25,239    | 1,637      | 1,254      | 508         | 2,546    |
| Less: impairment allowance | (7,027)   | (2,171)   | (860)      | (1,092)    | (432)       | (2,472)  |
| Net receivables            | \$ 24,157 | \$ 23,068 | \$ 777     | \$ 162     | \$ 76       | \$ 74    |

The amounts greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on HHSC's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment has determined that the balances are collectible.

#### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include currency risk and equity risk. HHSC is not exposed to significant currency or equity risk as it doesn't hold any equity or foreign instruments.

#### *Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. HHSC is exposed to this risk through its interest bearing investments. The risk on interest bearing investments is mitigated by the fact that HHSC holds only guaranteed investment certificates. The risk over interest bearing debt is mitigated by the use of interest rate swaps to fix the interest rate on the debt over a period of the obligation.

#### *Liquidity risk*

Liquidity risk is the risk that HHSC will not be able to meet its obligations as they come due. HHSC manages this risk by forecasting cash flow from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient funds to meet current and foreseeable financial requirements. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

### 14. Deferred Grants

In the statement of operations, building amortization is net of amortization of building deferred grants as follows:

|   | <u>2024</u>     | <u>2023</u>     |
|---|-----------------|-----------------|
| Building  |                 |                 |
| Amortization  | \$ 49,487       | \$ 49,111       |
| Building grant amortization                                   | (48,254)        | (46,628)        |
|   | <u>\$ 1,233</u> | <u>\$ 2,483</u> |
| <br>  |                 |                 |
| Interest on long-term obligations related to building         | <u>2024</u>     | <u>2023</u>     |
| Interest on long-term obligations                             | \$ 39,449       | \$ 40,278       |
| Government contribution for interest on long-term obligations | (39,449)        | (40,278)        |
|   | <u>\$ -</u>     | <u>\$ -</u>     |

In the Statement of Financial Position, deferred grants are net of accumulated amortization less any other adjustments.

|                                       | <u>2024</u>         | <u>2023</u>         |
|---------------------------------------|---------------------|---------------------|
| Grants                                |                     |                     |
| Ministry of Health and Long-Term Care | \$ 1,519,226        | \$ 1,507,067        |
| Regional Municipality of Halton       | 18,571              | 18,571              |
| Town of Oakville                      | 129,173             | 129,173             |
| Town of Milton                        | 28,870              | 28,838              |
| Capital donations                     | 218,890             | 208,643             |
|                                       | <u>1,914,730</u>    | <u>1,892,292</u>    |
| Accumulated Amortization              |                     |                     |
| Building                              | \$ 378,737          | \$ 330,483          |
| Equipment                             | 179,397             | 167,105             |
|                                       | <u>558,134</u>      | <u>497,588</u>      |
| <br>                                  |                     |                     |
| Balance, end of year                  | <u>\$ 1,356,596</u> | <u>\$ 1,394,704</u> |

### 15. Long Term Debt & Credit Facilities

HHSC has a long term loan ("Facility 2") which was utilized to provide local share plan contributions related to the redevelopment projects. As at March 31, 2024 the outstanding balance is \$76,404 (2023 - \$78,925) and bears interest at 28 to 35 day Bankers' Acceptances. It is repayable in blended monthly payments of approximately \$515, maturing in April 2043.

The principle payments due under this facility for the next five years and thereafter are as follows:

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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### 15. Long Term Debt & Credit Facilities *(continued)*

|                  |           |               |
|------------------|-----------|---------------|
| 2025             | \$        | 2,634         |
| 2026             |           | 2,752         |
| 2027             |           | 2,875         |
| 2028             |           | 3,004         |
| 2029             |           | 3,139         |
| Thereafter       |           | 62,000        |
| <b>Total</b>     | <b>\$</b> | <b>76,404</b> |
| <b>Current</b>   |           | <b>2,634</b>  |
| <b>Long-Term</b> |           | <b>73,770</b> |
| <b>Total</b>     | <b>\$</b> | <b>76,404</b> |

Interest expense of \$3,670 (2023 - \$3,789) related to Facility 2 has been reflected in supplies and other expenses on the statement of operations.

HHSC has two \$5,000 demand operating lines of credit, which bear interest at prime minus 0.5% and prime plus 0.5% respectively. As at March 31, 2024, \$Nil (2023 - \$Nil) had been drawn against these facilities.

HHSC holds a treasury risk management facility ("Facility 4") up to \$35,000 to cover the hedge risk in connection with the swap related to Facility 2.

#### Derivative Liability

HHSC entered into an interest rate swap contract with its bank in order to hedge its variability in future interest payments relating to its Facility 2 loan. This swap effectively locked in the interest rate on the long-term debt at 4.72%.

Fair value as at March 31, 2024 of this interest rate swap is \$3,742 (2023 - \$7,126) and is reflected as a liability on the statement of financial position.

### 16. Related Parties

In conjunction with two other hospitals, effective March 29, 2009, HHSC became a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West ("SSW"). SSW is a non-profit corporation, administered by a board which includes representation from each of the three member hospitals.

Effective April 1, 2024, Mohawk Medbuy ("MMC") will acquire the assets and assume the liabilities of SSW. The current services agreement with SSW will terminate and will be replaced with a new service agreement with MMC. All the services currently being received from SSW will continue to be provided by MMC.

HHSC has an economic interest in the operations of the Oakville Hospital Volunteer Association (the "Oakville VA"), Milton District Hospital Auxiliary (the "Milton Auxiliary") and Georgetown Hospital Volunteer Association (the "Georgetown VA"). The Oakville VA, Milton Auxiliary and Georgetown VA are registered

# Halton Healthcare Services Corporation

## Notes to the Financial Statements

(expressed in thousands)

For the year ended March 31, 2024

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### 16. Related Parties *(continued)*

charities under the Income Tax Act. In accordance with their by-laws, all or part of the surplus from operations of the Oakville VA, Milton Auxiliary and Georgetown VA is to be contributed for the benefit of HHSC.

The Foundations ("Georgetown Hospital Foundation (GHF), Oakville Hospital Foundation (OHF), and Milton District Hospital Foundation (MDHF)") are independent corporations incorporated without share capital which have their own Board of Directors and are registered charities under the Income Tax Act. HHSC has an economic interest in the operations of the Foundations as they receive and maintain funds for charitable purposes for the use of operations, renovations, maintenance and equipment of the HHSC community hospitals.

#### *GHF*

At March 31, 2024, HHSC had a receivable from the GHF of \$180 (2023 - \$79) for reimbursement of costs incurred on its behalf. Total funds received from the GHF for fiscal 2024 amounts to \$412 (2023 - \$482).

#### *OHF*

At March 31, 2024, HHSC had a receivable from the OHF of \$509 (2023 - \$551) for reimbursement of costs incurred on its behalf. Total funds received from the OHF for fiscal 2024 amounts to \$9,468 (2023 - \$7,649).

#### *MDHF*

At March 31, 2024, HHSC had a receivable from the MDHF of \$96 (2023 - \$84) for reimbursement of costs incurred on its behalf. Total funds received from the MDHF for fiscal 2024 amounts to \$938 (2023 - \$940).

### 17. Halton Healthcare LTC Inc.

HHSC is related to Halton Healthcare LTC Inc. ("LTC") as a result of common board members. LTC provides residence and long-term care. LTC, a non-share capital charitable organization, is incorporated under the Canada Corporations Act, is a non-profit organization, and is exempt from income tax under the Income Tax Act.

HHSC was awarded an opportunity by the MOHLTC to develop and operate a 128 bed long-term care facility on its lands. HHSC assigned its rights to develop and manage the facility to LTC. In an agreement commencing April 18, 2002, HHSC agreed to lease a parcel of its land to BPC Long-Term Care Facilities (Oakville) Inc. ("BPC Oakville") for a 40-year term. BPC Oakville agreed to sublease that parcel to LTC. The facility opened in October 2003.

LTC has not been consolidated in HHSC's financial statements. A financial summary of the non-consolidated entity for the current and previous year is as follows:

Halton Healthcare Services Corporation  
 Notes to the Financial Statements

(expressed in thousands)  
 For the year ended March 31, 2024

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**17. Halton Healthcare LTC Inc. (continued)**

|                                  | <b>2024</b>       | 2023       |
|----------------------------------|-------------------|------------|
| Financial position:              |                   |            |
| Total assets                     | <b>\$ 10,445</b>  | \$ 10,718  |
| Total liabilities                | <b>12,334</b>     | 13,149     |
| Net deficiency                   | <b>\$ (1,889)</b> | \$ (2,431) |
| Results of operations:           |                   |            |
| Total revenues                   | <b>\$ 14,037</b>  | \$ 13,247  |
| Total expenses                   | <b>13,496</b>     | 12,824     |
| Excess of revenues over expenses | <b>\$ 541</b>     | \$ 423     |

**18. Ministry of Health and Long-term Care Funding**

In the current year, the Ministry of Health and Long-term Care revenue in the statement of operations includes \$9.9M in funding related to retroactive compensation enhancements awarded under Bill 124. The corresponding expense was recorded in salaries, wages and benefits in the statement of operations in the prior year. Normalizing for this amount, the organization would have incurred a net deficit of \$4.3M for the year ending March 31, 2024.