Brightshores Health System
Financial Statements
For the year ended March 31, 2024

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Contents

Tel: 705 324 3579
Fax: 705 324 0774
www.bdo.ca

BDO Canada LLP
165 Kent Street West
PO Box 358
Lindsay ON K9V 4S3 Canada

Independent Auditor's Report

**To the Board of Directors and the Members of
Brightshores Health System**

Opinion

We have audited the accompanying financial statements of Brightshores Health System, which comprise the statement of financial position as at March 31, 2024 and the statements of changes in net assets, remeasurement gains and losses, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brightshores Health System as at March 31, 2024 and the results of its operations, measurement gains and losses 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 Brightshores Health System 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 Brightshores Health System 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 Brightshores Health System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Brightshores Health System financial reporting process.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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.

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 Brightshores Health System 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 Brightshores Health System 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 Brightshores Health System 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

Lindsay, Ontario
June 26, 2024

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Brightshores Health System
Statement of Financial Position
(In Thousands of Dollars)

March 31		2024		2023
Assets				
Current				
Cash and investments (Note 3)	$	**49,450**	$	84,391
Accounts receivable (Note 4)		**15,279**		13,688
Inventory		**6,296**		5,521
Prepaid expenses		**4,424**		3,371
		75,449		106,971
Capital assets (Note 5)		**162,737**		140,227
Promissory notes (Note 6)		**278**		328
Investments held for capital purposes (Note 8)		**11,497**		10,634
	$	**249,961**	$	258,160
Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities (Note 8)	$	**61,627**	$	69,400
Post-employment benefits and compensated absences (Note 9)		**11,137**		12,538
Asset retirement obligation (Note 10)		**2,150**		2,003
Deferred contributions (Note 11)		**134,025**		123,446
		208,939		207,387
Net assets (Page 5)				
Internally restricted for capital asset replacement		**114**		12,215
Endowment fund		**161**		161
Unrestricted		**40,883**		39,670
		41,158		52,046
Accumulated remeasurement losses (Page 6)		**(136)**		(1,273)
		41,022		50,773
	$	**249,961**	$	258,160

Approved on behalf of the Board:

Paul Snow Park ______________________ Director

______________________ Director

The accompanying notes are an integral part of these financial statements.

Brightshores Health System
Statement of Changes in Net Assets
(In Thousands of Dollars)

March 31	**Internally Restricted for Capital Asset Replacement**	**Endowment Fund**	**Unrestricted**	**Total 2024**	Total 2023
Balance, beginning of the year	$ 12,215	$ 161	$ 39,670	**$52,046**	$ 46,979
Excess (deficiency) of revenue over expenditures (Page 7)	-	-	(10,888)	**10,888)**	5,077
Unrealized loss on investment (Page 6)	-	-	-	**-**	(10)
Interfund transfers	(12,101)	-	12,101	**-**	-
Balance, end of the year	$ 114	$ 161	$ 40,883	**$41,158**	$ 52,046

The accompanying notes are an integral part of these financial statements.

Brightshores Health System
Statement of Remeasurement Gains (Losses)
(In Thousands of Dollars)

For the year ended March 31		2024		2023
Accumulated remeasurement gains (losses), beginning of the year	**$**	**(1,273)**	$	(504)
Unrealized gains (losses) attributed to investment		**1,137**		(779)
Unrealized loss reclassified to the endowment fund (Page 5)		**-**		10
Accumulated remeasurement (losses), end of the year	**$**	**(136)**	$	(1,273)

The accompanying notes are an integral part of these financial statements.

Brightshores Health System
Statement of Operations
(In Thousands of Dollars)

For the year ended March 31	2024	2023
Revenue		
Ministry of Health (Note 12)	**$ 201,280**	$ 190,890
Patient revenue from other payers	**17,906**	16,862
Differential and co-payment revenue	**3,396**	3,750
Undistributed and miscellaneous revenue	**39,153**	23,931
Amortization of deferred contributions	**4,400**	4,274
	266,135	239,707
Expenses		
Salaries and wages	**124,416**	102,391
Employee benefits	**33,973**	30,538
Medical staff remuneration	**25,894**	22,531
Supplies and other expenses	**41,879**	35,803
Medical and surgical supplies	**13,047**	12,402
Drugs and medical gases	**28,850**	23,754
Equipment amortization	**8,996**	8,139
	277,055	235,558
Excess (deficiency) of revenue over expenditures before other revenue (expenses)	**(10,920)**	4,149
Other revenue (expenses)		
Program revenue from Ministry of Health	**12,848**	10,116
Program expenses for Ministry of Health	**(12,822)**	(10,137)
Amortization of deferred contributions	**4,831**	4,715
Amortization of building assets	**(4,825)**	(3,766)
	32	928
Excess (deficiency) of revenue over expenditures	**$ (10,888)**	$ 5,077

The accompanying notes are an integral part of these financial statements.

Brightshores Health System
Statement of Cash Flows
(In Thousands of Dollars)

For the year ended March 31	2024	2023
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	$ (10,888)	$ 5,077
Items not involving cash:		
Amortization of capital assets - equipment	8,996	8,139
Amortization of capital assets - building assets	4,825	3,766
Amortization of deferred contributions	(9,206)	(8,982)
Unrealized losses (gains)	1,137	(779)
Accrued for post-employment benefits and compensated absences	(1,401)	1,765
Asset retirement obligation accretion	147	92
Loss (gain) on disposal of capital assets	156	118
	(6,234)	9,196
Changes in non-cash working capital balances		
Accounts receivable	(1,591)	2,350
Inventory	(775)	(451)
Prepaid expenses	(1,053)	(267)
Accounts payable and accrued liabilities	(7,773)	11,044
	(17,426)	21,872
Financing activities		
Advance of promissory notes	(200)	(126)
Repayment of promissory notes	250	266
Purchase of long term investments	(863)	(82)
	(813)	58
Capital activities		
Purchase of capital assets	(36,566)	(46,667)
Receipt of capital grants	12,370	27,287
Receipt of restricted donations	7,415	12,056
Proceeds on disposition of capital assets	79	-
	(16,702)	(7,324)
Net increase (decrease) in cash and investments during the year	(34,941)	14,606
Cash and investments, beginning of the year	84,391	69,785
Cash and investments, end of the year	$ 49,450	$ 84,391

The accompanying notes are an integral part of these financial statements.

March 31, 2024

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Brightshores Health System (the Hospital) is incorporated without share capital under the laws of Ontario. Brightshores Health System is principally involved in providing health services to the Villages of Lion's Head and Markdale, the Towns of Meaford, Wiarton and Southampton, the City of Owen Sound and surrounding areas. The Hospital is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The Hospital changed their legal name from Grey Bruce Health Services, to Brightshores Health System in the year.

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board. The Hospital Foundations referred to in the notes, are separate entities whose financial information is reported separately from the Hospital.

Cash and Investments

Cash and investments include cash on hand, deposits with banks and other highly liquid investments recorded at fair market value.

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventory is determined on an average cost basis. All other inventory items are valued on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations.

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 charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Buildings, service equipment and land improvements	5 - 40 years
Major equipment	3 - 15 years

Financial Instruments

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

Fair value
This category includes cash and investments. They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the Statement of remeasurement gains and losses until they are realized, then they are transferred to the Statement of operations. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Interest and dividends attributable to these financial instruments are reported in the Statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where 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, promissory notes, accounts payable and accrued liabilities. 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.

1. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

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.

Retirement and Post-Employment Benefits and Compensated Absences

The Hospital provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past services costs are recognized as an expense in the period of the plan amendment.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The costs of vesting sick leave benefits are determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

(iv) The discount rate used in the determination of the above mentioned liabilities is provided by the Ministry of Health, and the rate at March 31, 2024 is 3.95%.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions, which includes donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (MOH and Ministry), and Ontario Health West. The Hospital entered into a Hospital Service Accountability Agreement (the H-SAA) in fiscal 2023/2024 with the Ministry and Ontario Health West that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry and Ontario Health West. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and Ontario Health West has the right to adjust funding received by the Hospital. The Ministry and Ontario Health West is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry and Ontario Health West funding received by the Hospital during the year may be increased or decreased subsequent to year-end.

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 can be reasonably estimated and collection is reasonably assured.

Restricted contributions 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.

Contributions for endowments are recognized as direct increases in net assets.

Amortization of buildings is not funded by Ontario Health West and, accordingly, the amortization of the buildings has been reflected as an undernoted item in the Statement of operations with the corresponding realization of revenues for deferred contributions.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Externally restricted and endowment investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Revenue from patient services is recognized when the service is provided.

Ancillary revenues consists of parking, cafeteria, retail pharmacy and Georgian Bay Information Network (GBIN) and revenue is recognized when the goods are sold and services provided.

Contributed Materials and Services

Contributed materials, which are used in the normal course of the Hospital's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Volunteers contribute many hours per year to assist the Hospital in carrying out its service delivery activities. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with PSAS for Government NPO's requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of the financial statements are the determination of the allowance for doubtful accounts, inventory obsolescence and estimated useful life of buildings, improvements and equipment, actuarial estimation of post-employment benefits and compensated absences liabilities and asset retirement obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

The amount of revenue recognized from the MOH and Ontario Health West requires a number of estimates. The Hospital has entered into a number of accountability agreements with Ontario Health West that set out the rights and obligations of the two parties in respect of the funding provided to the Hospital by Ontario Health West for fiscal 2024.

These accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas, such as total margin, liquidity and operating volumes.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates (continued)

If the Hospital does not meet its performance standards or obligation, Ontario Health West have the right to adjust funding received by the Hospital. The MOH and Ontario Health West are not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH and Ontario Health West funding received during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a 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.

(In Thousands of Dollars)

2. Financial Instruments

The following table provides amortized costs and fair value information of the financial instruments by category.

	2024		
	Fair Value	**Amortized Cost**	**Total**
Cash and investments	$ 49,450	$ -	$ 49,450
Accounts receivable	-	15,279	15,279
Promissory notes	-	278	278
Long term investments	11,497	-	11,497
Accounts payable and accrued liabilities	-	61,627	61,627

	2023		
	Fair Value	Amortized Cost	Total
Cash and investments	$ 84,391	$ -	$ 84,391
Accounts receivable	-	13,688	13,688
Promissory notes	-	328	328
Long term investments	10,634	-	10,634
Accounts payable and accrued liabilities	-	69,400	69,400

The only financial instruments that are measured subsequent to initial recognition at fair value are cash and investments. These are fair value measurements that are derived from quoted prices (unadjusted) in the active markets for identical assets or liabilities using the last bid price.

2. Financial Instruments (continued)

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and investments, promissory notes and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to $500,000 (2023 - $500,000).

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the Ministry in relation to their funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bonds quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographical exposure.

Accounts receivable are primarily due from OHIP, the Ministry and patients. Credit risk is mitigated by the financial solvency of the Provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

Any amounts aged greater then 90 days owing from patients that have not had a corresponding impairment allowance setup against them in Note 4, are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk; interest rate risk, currency risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

2. Financial Instruments (continued)

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is exposed to currency risk through foreign investments purchased and sold in foreign currencies.

Approximately 5% (2023 - 6%) of the Hospital's portfolio investments are in foreign currency and converted to Canadian dollars at year-end.

The Hospital considers this risk to be acceptable and therefore does not hedge its foreign exchange risks.

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.

The Hospital is exposed to this risk through its interest bearing investments.

The Hospital's bond portfolio has interest ranging from 2.92% to 3.12% with maturities ranging from February 21, 2030 to October 1, 2083.

At March 31, 2024, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of $214.

There has been an increase in interest rate risk in the March 31, 2024 year end as the amount invested in the investment portfolio increased in the year.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Hospital is exposed to this risk through its equity holdings within its investment portfolios. At March 31, 2024, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Hospital's equities of $3,958.

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(In Thousands of Dollars)

2. Financial Instruments (continued)

Financial Instrument Fair Value Measurement

The following table provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - 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)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Funds Restricted for Endowment Purposes	**$ 72**	**$ -**	**$ -**	**$ 72**
Long-term Investments	**11,497**	**-**	**-**	**11,497**
Short-term Investments	**32,902**			**32,902**
	$ 44,471	**$ -**	**$ -**	**$ 44,471**

	2023			
	Level 1	Level 2	Level 3	Total
Funds Restricted for Endowment Purposes	$ 72	$ -	$ -	$ 72
Long-term Investments	10,634	-	-	10,634
Short-term Investments	30,608	-	-	30,608
	41,314	-	-	41,314

(In Thousands of Dollars)

3. Cash and Investments

	2024	2023
Unrestricted Investments		
Cash	$ 14,459	$ 39,520
Investments managed by an Investment Advisor		
Cash Equivalents	1,025	288
Fixed Income (Private Client Short Term Bonds)	23,153	22,691
Hedge Strategies	8,744	7,629
	47,381	70,128
Funds Internally Restricted for Capital Replacement		
Cash	1,997	14,098
Funds Restricted for Endowment Purposes		
Cash	-	92
Guaranteed Investment Certificate	-	1
BCE shares	72	72
	72	165
	$ 49,450	$ 84,391

Brightshores Health System has a demand operating facility agreement with a financial institution. At March 31, 2024, the Hospital had undrawn credit capacity of the full credit limit of $6,750. Interest is calculated at bank prime rate minus 0.65%.

Investments managed by an Investment Advisor have a cost value of $33,195 at the end of the year. The Hospital's bond portfolio has interest ranging from 1.25% to 7.36% with maturities ranging from April 9, 2024 to October 1, 2083.

4. Accounts Receivable

	2024	2023
Patient accounts and other	$ 12,379	$ 10,164
Ministry of Health	3,648	4,615
Current portion of promissory notes (Note 6)	251	277
	16,278	15,056
Less: Allowance for doubtful accounts	(999)	(1,368)
	$ 15,279	$ 13,688

(In Thousands of Dollars)

5. Capital Assets

	2024		2023	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1,073**	**$ -**	$ 1,073	$ -
Buildings, service equipment and land improvements	**231,266**	**105,232**	212,905	100,404
Major equipment	**165,216**	**129,586**	150,978	124,325
	$ 397,555	**$ 234,818**	$ 364,956	$ 224,729
		$ 162,737		$ 140,227

The Hospital acquired capital assets at an aggregate cost of $36,566 (2023 - $46,667) during the year.

The net book value of assets not being amortized because they are under construction (or in development) is $50,579 (2023 - $55,866).

In addition, the Hospital disposed of capital assets with a net book value of $155 (2023 - $150).

6. Promissory Notes

	2024	2023
Promissory notes, non-interest bearing, due dates vary from 2025 to 2027	**$ 529**	$ 605
Less: Current portion (Note 4)	**(251)**	(277)
	$ 278	$ 328

Annual repayments due over the next four years are as follows:

2025	$ 251
2026	179
2027	78
2028	21
	$ 529

(In Thousands of Dollars)

7. Investments Held for Capital Purposes

	2024	2023
Investments managed by an Investment Advisor		
Cash Equivalents	$ **101**	$ 299
Fixed Income		
Private Client Bonds	**3,790**	3,743
Canadian Income Equity	**1,468**	1,336
Global Equity	**2,285**	2,033
Hedge Strategies	**2,511**	2,229
Alternative Investments	**1,342**	994
	$ **11,497**	$ 10,634

Long-term investments have a cost value of $11,312 at the end of the year (2023 - $10,842). The Hospital's bond portfolio has interest ranging from 1.25% to 8.75% with maturities ranging from April 1, 2024 to October 1, 2083. Long-term investments are held to cover the funds required for internally restricted capital assets projects. The significant projects include $1 million for Same Day Surgery service, $1 million for a Women's and Children Unit, $600 thousand renovation to retail pharmacy space and to support a portion of $10 million down payment planned on the Wellness and Recovery Centre.

8. Accounts Payable and Accrued Liabilities

	2024	2023
Trade accounts payable and accrued liabilities	$ **42,523**	$ 47,346
Ministry of Health	**19,104**	22,054
	$ **61,627**	$ 69,400

(In Thousands of Dollars)

9. Post-Employment Benefits and Compensated Absences

(a) Post-Employment Benefits

The Hospital provides post-employment benefits comprised of extended health care, dental and semi-private insurance benefits to substantially all full-time employees. At March 31, 2024, the Hospital's accrued benefit obligation relating to these post-retirement benefit plans is $11,095 (2023 - $12,451) comprised as follows:

	2024	2023
Accrued benefit obligation, beginning of the year	$ 12,538	$ 10,773
Annual benefit cost	474	471
Employer contributions	(670)	(609)
Other	(1,247)	1,816
Employee future benefits liability	11,095	12,451
Vested sick leave	42	87
Accrued benefit obligation	$ 11,137	$ 12,538

Annual benefit costs are comprised as follows:

	2024	2023
Current service cost	$ 428	$ 420
Interest cost	304	293
Amortization of net actuarial loss	(258)	(242)
Annual benefit cost	$ 474	$ 471

The most recent actuarial valuation was done as of March 31, 2024. The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation and benefit costs are as follows:

	2024	2023
Discount rate	3.95%	4.04%
Hospital cost escalation	4.96%	4.00%
Drug, vision and other medical cost escalation	4.96%	7.00%
Dental benefits cost escalation	5.14%	4.00%

9. Post-Employment Benefits and Compensated Absences (continued)

(b) Pension Plan

Substantially all of the employees of the Brightshores Health System are eligible for membership in the Healthcare of Ontario Pension Plan (HOOPP and Plan), a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five consecutive years prior to retirement, termination or death.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with amounts contributed by the employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan.

Variances between actuarial funding estimates and the actual experience may be material and any differences are generally to be funded by the participating members. Employer contributions made to the Plan during the year by Brightshores Health System amounted to $9,808 (2023 - $8,066). These amounts are included in employee benefits expense in the Statement of operations. The most recent actuarial valuation of the Plan was as at March 31, 2022.

HOOPP is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of the employers and employees. Brightshores Health System does not recognize any share of the HOOPP pension surplus or deficit. The plan has reported a $10 billion actuarial surplus at the end of December 31, 2023 (2022 - $11 billion surplus), based on actuarial liabilities of $102.5 billion (2022 - $92.7 billion) and actuarial net assets of $112.6 billion (2022 - $103.7 billion).

(In Thousands of Dollars)

9. Post-Employment Benefits and Compensated Absences (continued)

(c) Compensated Absences

Vested Sick Leave

Past union contracts included provisions for employees to accrue 1.5 days per month for use as a compensated absence in the event of illness or injury. Employees were permitted to accumulate their unused allocation up to the allowable maximum provided in their respective union contract.

Upon termination of employment, the employee is eligible for cash payment of 50% of the vested hours. The hours are paid out at the salary rate in effect at the time of payment, unless the employees payment amount has been pre-determined.

At March 31, 2024, included in post-employment benefits and compensated absences is vested sick leave of $42 (2023 - $87).

The assumptions used in the valuation of vesting sick leave are the Hospital's best estimates of expected rates of:

	2024	2023
Discount rate	**3.95%**	4.04%
Wage and salary escalation	**2.00%**	2.00%

10. Asset Retirement Obligation

The Hospital's financial statements include an asset retirement obligation for the buildings that the Hospitals operate out of. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using a net present value technique with discount rates of 4.30% and 4.01%. The estimated total undiscounted future expenditures are $2,925, which are to be incurred over the next 3 to 21 years. The liability is expected to be settled as the asset is renovated or is retired over the next 3 to 21 years.

The carrying amount of the liability is as follows:

Asset Retirement Obligation standard at April 1, 2023	**$ 2,003**
Add: Accretion	**147**
Asset Retirement Obligation as at March 31, 2024	**$ 2,150**

(In Thousands of Dollars)

11. Deferred Contributions

Deferred contributions represent the unamortized and unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2024	2023
Balance, beginning of the year	**$ 123,446**	$ 93,085
Add: Contributions of capital grants	**12,370**	27,287
Add: Contributions of restricted donations	**7,415**	12,056
Less: Amortization of contributions	**(9,206)**	(8,982)
Balance, end of the year	**$ 134,025**	$ 123,446

12. Ministry of Health

	2024	2023
Global Funding	**$ 88,656**	$ 85,234
Growth and Efficiency Model (GEM)	**47,872**	45,397
Quality Based Procedures (QBP)	**18,985**	17,975
Cancer Care Ontario (CCO)	**21,997**	17,507
Covid-19 funding	**10,220**	11,480
Ontario Health West One Time Funding	**9,989**	9,800
Hospital On-Call Coverage	**3,561**	3,497
	$ 201,280	$ 190,890

13. Hospital Foundations and Auxiliaries

The Hospital receives support from various Foundations and Auxiliaries. The Foundations and Auxiliaries are independent corporations incorporated without share capital with their own independent Boards of Directors.

At March 31, 2024, the Hospital has a receivable from the Foundations of $2 (2023 - $16). Total funds received from the Foundations and Auxiliaries for fiscal 2024 amounted to $7,416 (2023 - $11,958).

(In Thousands of Dollars)

14. Ontario Transfer Payment Agreement

The Hospital is part of an approved Ontario Health Team (OHT) and has been nominated as a transfer payment recipient in relation to the transfer payment agreement with the Ministry. The revenue and expenses included in the Statement of operations are as follows:

	2024	2023
Revenue	$ 704	$ 318
Operating Expenses		
Planning and implementing	-	51
Physician participation	-	48
Project management	-	214
Professional fees	-	5
Staffing	368	-
Deliverables	88	-
Admin	10	-
Clinician engagement	78	-
PFAC	50	-
Consulting services	110	-
	704	318
Operating income	$ -	$ -

(In Thousands of Dollars)

15. Georgian Bay Information Network (GBIN)

The Georgian Bay Information Network (GBIN) represents the collaboration of six partner hospitals in a shared services agreement for core Cerner-related services, together with related incidental and ancillary services. The operational costs are shared by the respective partners based on an agreed upon percentage distribution methodology.

GBIN revenues and expenses are included in the total revenue and expenses on the statement of operations.

	2024	2023
Revenue		
Partner Contributions (Fees)		
Almonte General Hospital	$ 486	$ 524
Brightshores Health System	6,692	5,099
Hanover District Hospital	785	639
Muskoka Algonquin Hospital	2,250	2,159
Orillia Soldiers Memorial Hospital	3,408	3,271
South Bruce Grey Health Centre	1,242	1,246
	14,863	12,938
Other Revenue	-	203
Total Revenue	14,863	13,141
Due (to) from Partners	(1,582)	(919)
Net Revenue	13,281	12,222
Expenses		
Compensation - Salaries and Wages	3,662	3,241
Benefit Contributions to Employees	962	755
Supplies and Other Expenses	8,657	8,226
Total Expenses	13,281	12,222
Net Revenue Over Expenses	$ -	$ -

16. Commitments

(a) The Markdale Hospital redevelopment project is a Ministry supported project for which eligible building and design costs will be 90% funded from the Ministry. The remaining 10% represents the local share which will be funded by the Hospital and its fundraising sources. On November 4, 2020 an agreement with Bird Construction and various other vendors for the Markdale Hospital redevelopment project for a bid price of $68,635 was accepted. To date, the full amount (2023 - $56,506) has been spent related to this commitment.

(b) On January 24, 2023, the Hospital has entered into a contract with Cerner Canada ULC for expansion of clinical electronic documentation to all areas within the organization and to facilitate more enhanced clinical decisions for better patient care. The provision of services is for the GBIN, which represents a partnership agreement including Brightshores Health System, South Bruce Grey Health Centre, Hanover & District Hospital, Muskoka Algonquin Hospital, Orillia Soldiers' Memorial Hospital and Almonte General Hospital, to which each partner shares in the financial commitment. The contract was awarded at an approximate cost of $16,724. Overall the multiyear project is planned for a total cost of $42,396 and with the Hospital's partnership share being approximately $18,182 (42.88%). To date, the Hospital has incurred costs of $28 relating to this commitment.

(c) On May 13, 2022, the Hospital signed a purchase and sale agreement for the purchase of a property for $24,000 from Heritage Community Living at Lakeview Inc. to be used for the Wellness and Recovery Centre. The purchase of the property has not been completed as there were final development delays. Thus far outlays of $2,217 have been disbursed.

(d) Due to limitations within the space the Hospital has entered into a lease agreement with the Heritage Mall. This has a total cost of $957, with $16 in outlays so far.

17. Contingencies

Brightshores Health System is involved in various legal proceedings and believes it has adequate legal defences and/or insurance coverage with respect to these actions. However, it is possible that these cases could result in outcomes unfavourable to the Hospital. The outcome of litigation is inherently difficult to predict. In the event of an adverse outcome, management believes the amount of any such loss in excess of insurance coverage would not be material.

The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2024, with respect to claims.

Effective June 2019, the Province of Ontario enacted Bill 124 “Protecting a Sustainable Public Sector for Future Generations Act, 2019”. This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On February 23, 2024, the Government of Ontario repealed Bill 124 in its entirety. Because of the repeal, the impact to the organization as a result of the Ontario Superior Court decision has been recorded in the financial statements for the retroactive pay settlements. At this time, it is not possible to determine whether any further liability will result from the Ontario Superior Court decision and contract negotiations. Therefore, the actual estimated liability could differ significantly from the amount recorded.

During the year, various union settlement payments were made related to the Bill 124 appeals. This affected various bargaining groups, such as ONA, OPSEU HPD, and OPSEU Nursing. The arbitrated awards in the fall of 2023 were for ONA and OPSEU Nursing only. Submissions were due to the Ministry on November 14, 2024, for which Brightshores determined a cost of $8.5M was expensed to date. From this amount, the Ministry reimbursed the Hospital $7.7M, or approximately 90%. Subsequent to the first submission, the Kaplan Arbitrated award was issued in relation to Bill 124 for OPSEU HPD, Service and Clerical bargaining units. These additional payments amounted to $11.3M, of which the Ministry has reimbursed none. To date the Hospital has paid out $19.8M, and has received reimbursements amount to $7.7M or just over 38%. Had the Hospital received these funds, the year-end Statement of Operations would have resulted in a surplus position. The Hospital is currently in discussions with the Ministry to seek reimbursement for additional expenses as a result of Bill 124.

Management has also provided an amount for retroactive pay equity settlements in the financial statements. This amount is based on the best estimate of the liability for retroactive pay settlements under current union negotiations.