



Financial statements of Royal Victoria Regional Health Centre

March 31, 2023

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Statement of Management Responsibility

The accompanying financial statements of Royal Victoria Regional Health Centre have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the external auditors no fewer than two times a year.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Health Centre's system of key internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Royal Victoria Regional Health Centre



Gail Hunt
President & Chief Executive Officer



Ben Petersen
Executive Vice President, Corporate Services &
Chief Financial Officer

May 30, 2023
Barrie, Canada

Independent Auditor's Report

To the Board of Directors of
Royal Victoria Regional Health Centre

Opinion

We have audited the financial statements of (the "Health Centre"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2023, and the results of its operations, changes in net assets, 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 ("Canadian GAAS"). 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 Health Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Health Centre'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 GAAS 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 GAAS, 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 Health Centre'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 Health Centre'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 Health Centre 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 30, 2022

Royal Victoria Regional Health Centre
Statement of operations and changes in net assets

Year ended March 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$
Revenue			
Ontario Health and Ministry of Health funding		409,822	367,692
Patient revenue		30,008	29,018
Recoveries and other		25,311	19,021
Specifically funded programs	12	14,103	12,091
Amortization of deferred capital contributions	9	18,993	19,499
		498,237	447,321
Expenses			
Salaries, wages and benefits	10	267,612	243,423
Medical staff remuneration		43,733	41,313
Medical and surgical supplies		30,922	28,905
Drugs		38,466	34,450
Equipment, maintenance and utilities		20,749	20,380
Other supplies and services		39,453	18,837
Specifically funded programs	12	14,013	12,063
Amortization of capital assets		30,436	31,045
		485,384	430,416
Excess of revenue over expenses		12,853	16,905
Net assets, beginning of year		79,352	62,447
Net assets, end of year		92,205	79,352

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

Royal Victoria Regional Health Centre

Statement of financial position

As at March 31, 2023

(In thousands of dollars)


	Notes	2023 \$	2022 \$
Assets			
Current assets			
Cash	3	170,771	140,572
Accounts receivable	4	38,808	44,041
Inventories		2,586	3,112
Prepaid expenses		6,041	6,974
		218,206	194,699
Investment in joint venture	11 (c)	161	161
Capital assets	5	354,744	364,105
		573,111	558,965
Liabilities			
Current liabilities			
Bank loan	6	19,200	20,000
Accounts payable and accrued liabilities	7	170,354	153,074
Current portion of obligation under capital lease	8	296	289
		189,850	173,363
Obligation under capital lease	8	75	372
Deferred capital contributions	9	279,804	294,660
Employee future benefits	10	11,177	11,218
		480,906	479,613
Commitments and contingencies	15		
Net assets		92,205	79,352
		573,111	558,965

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

On Behalf of the Board



_____, Doug Frost, Board Chair



Jason Teal (Jun 1, 2023 18:25 EDT)

_____, Jason Teal, First Vice Chair

Royal Victoria Regional Health Centre

Statement of cash flows

Year ended March 31, 2023

(In thousands of dollars)

	Notes	2023 \$	2022 \$
Operating activities			
Excess of revenues over expenses		12,853	16,905
Items not affecting cash			
Loss on disposal of capital assets		252	29
Amortization of capital assets		30,436	31,045
Amortization of deferred capital contributions	9	(18,993)	(19,499)
Deferred capital contributions recognized as revenue	9	(75)	(25)
Employee post-retirement benefits expense	10	304	507
Change in non-cash working capital	14	23,900	21,776
		48,677	50,738
Capital activities			
Additions to capital assets		(21,345)	(53,845)
Proceeds on disposal of capital assets		18	1
		(21,327)	(53,844)
Financing activities			
Proceeds of bank loan		—	20,000
Repayment of bank loan		(800)	—
Repayment of obligation under capital lease		(290)	(281)
Increase in deferred capital contributions	9	4,212	20,715
Contributions to employee post-retirement benefits	10	(273)	(218)
		2,849	40,216
Increase in cash during the year		30,199	37,110
Cash, beginning of year		140,572	103,462
Cash, end of year		170,771	140,572

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

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

1. Nature of the organization

Royal Victoria Regional Health Centre (the "Health Centre") is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). The Health Centre is principally involved in providing health care services to the residents of the Simcoe Muskoka region.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Health Centre have been prepared in accordance with Canadian public sector accounting standards including PS4200-4270 pertaining to government not-for-profit organizations, and include the following significant accounting policies.

Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and Ontario Health ("OH").

Grants and funding authorized by the MOH and OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Health Centre has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process, and could differ from these estimates.

Grants for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent fiscal year.

Unrestricted contributions are recognized as revenue when received or receivable where the amount 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 or when the requirements to earn the contributions have occurred.

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 asset.

Revenue from patient and other services is recognized when the services are provided.

Contributed services

The Health Centre is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Health Centre and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments reported on the statement of financial position of the Health Centre are measured as follows:

Cash	Amortized cost
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank loan	Amortized cost

Inventories

Inventories are valued at the lower of cost and replacement cost. For inventories of stores, cost has been determined on the weighted average basis. All other inventories are valued on the first-in, first-out basis.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. Projects in progress, including related financing costs, is recorded based on costs incurred as at March 31, 2023. Amortization of projects in progress will commence upon completion of the project. When an asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its residual value.

Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	40 or 50 years
Building components	5 to 20 years
Building service equipment	5 to 20 years
Leasehold Improvements	Lease term
Equipment	5 to 20 years
Equipment under capital leases	4 to 20 years
Land improvements	5 to 20 years

In the year that the asset is put into use, amortization is taken for the full year.

Capital leases

Capital assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Health Centre are treated as capital leases and are accounted for as though a capital asset had been purchased and a liability assumed. Where the lease terms do not transfer substantially all of the benefits and risks of ownership to the Health Centre, these leases are accounted for as operating leases, wherein lease payments are expensed as incurred.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period.

Accounts involving significant estimates include accounts receivable, capital assets, certain accounts payable and accrued liabilities, deferred revenue, revenue, and employee future benefits. Actual results could differ from management's estimates as additional information becomes available in the future.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Investment in joint venture

The Health Centre owns 50% of the common shares of Royal ProResp Inc. The Health Centre has appointed 50% of the members of the joint venture's Board of Directors and as a result, has joint control over the strategic operating, investing and financing policies of the corporation. The remaining 50% interest is held by an unrelated party. The activity of this joint venture is included in the accompanying statements following the equity method (Note 11 (c)).

Employee future benefits

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

Actuarial gains and losses on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation and are amortized over the average remaining service period of the active employees. Past service costs arising from plan amendments are recognized in the year that the plan amendments occur.

The Health Centre is an employer member of the Healthcare of Ontario Pension Plan, which is a multiemployer, defined benefit pension plan. The Health Centre has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles (Note 10).

Impairment of long lived assets

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

3. Cash

The Health Centre's bank accounts are held at a chartered bank. The operating bank accounts earn interest at prime less 1.60% calculated on the daily balances up to \$135,000.

4. Accounts receivable

	2023	2022
	\$	\$
OH/MOH	25,261	29,402
The Royal Victoria Regional Health Centre Foundation	733	165
Other	13,408	15,082
	39,402	44,649
Less allowance for doubtful accounts	(594)	(608)
Balance, end of year	38,808	44,041

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

5. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
	\$	\$	\$	\$
Land	33,746	—	33,746	33,744
Buildings and building components	308,294	107,725	200,569	209,368
Building service equipment	152,134	96,888	55,246	59,948
Leasehold improvements	1,781	689	1,092	1,267
Equipment	198,636	148,775	49,861	49,515
Land improvements	13,233	11,091	2,142	2,485
Projects in progress	12,088	—	12,088	7,778
	719,912	365,168	354,744	364,105

6. Bank Loan

The Health Centre has the following credit facilities available with the Bank of Montreal:

- (a) Overdraft facility to a maximum authorized amount of \$20,000.
- (b) Multi-draw term loan to a maximum authorized amount of \$20,000.
- (c) Multi-draw term loan to a maximum authorized amount of \$35,000.
- (d) Multi-draw term loan to a maximum authorized amount of \$15,000.
- (e) Non-revolving term loan to a maximum authorized amount of \$30,000.

The overdraft facility bears interest at prime less 0.50%. All other facilities bear interest at prime less 0.3% (no change from 2022). All facilities are unsecured and are due on demand.

As at March 31, 2023 the balance on the non-revolving term loan is \$19,200 (\$20,000 in 2022) and all other credit facilities are unused (none used in 2022). As at March 31, 2023, the Health Centre is in compliance with all covenants.

The repayment schedule including principal and interest is as follows:

	\$
2024	800
2025	800
2026	800
2027	800
2028	800
2029 and thereafter	15,200
	<u>19,200</u>

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

7. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
OH/MOH	22,199	24,730
Payroll related liabilities	47,865	37,653
Other accounts payable and accrued liabilities	33,849	29,982
Deferred revenue	66,441	60,709
Balance, end of year	170,354	153,074

8. Obligation under capital lease

The Health Centre has entered into a capital lease obligation for equipment with interest rates ranging from 2.5% to 4.5% and ending in fiscal year 2025.

The following is a schedule of minimum lease payments required until the end of the lease.

	2023	2022
	\$	\$
2024	302	302
2025	76	302
2026	—	76
	378	680
Less: imputed interest	7	19
	371	661
Less: current portion	296	289
	75	372

The obligation under capital lease is secured by the specific leased equipment. During the year interest of \$13 (\$21 in 2022) related to this lease was included in other supplies and services expense in the statement of operations.

9. Deferred capital contributions

	2023	2022
	\$	\$
Balance, beginning of year	294,660	293,469
Additional contributions	4,212	20,715
Amounts amortized to revenue	(18,993)	(19,499)
Amounts recognized as revenue	(75)	(25)
Balance, end of year	279,804	294,660

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

10. Employee future benefits

(a) Pension plan

Substantially all of the employees of the Health Centre are members of the Healthcare of Ontario Pension Plan ("HOOPP" or the "Plan") which is a multiemployer defined benefit, final average earnings, and contributory pension plan. The Health Centre's contributions to HOOPP during the year amounted to \$17,242 (\$16,850 in 2022), of which \$16,351 (\$15,631 in 2022) is included in salaries, wages and benefits expenses, \$708 (\$628 in 2022) is included in specifically funded programs expenses, \$73 is included in medical staff remuneration (\$63 in 2022) in the statement of operations, and \$110 (\$528 in 2022) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2022 indicates the Plan is 117% (120% in 2021) funded. Because the plan is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Health Centre does not recognize any share of the Plan surplus or deficit. The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned.

(b) Other employee future benefits

The Health Centre shares the cost of post-retirement extended healthcare and dental benefits with full time employees upon retirement, at any age for SEIU Local 1 members and for Non-Union, OPSEU and ONA members if they retire between ages 55-64. These benefits end at the earlier of the member's death or at age 65.

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

Discount rate	4.4% (3.7% in 2022) per annum
Dental benefits cost escalation	5.3% (5.1% in 2022) per annum
Extended healthcare cost escalation	4.4% (4.2% in 2022) per annum

Included in salaries, wages and benefits in the statement of operations is an amount of \$304 (\$507 in 2022) regarding non-pension benefit expense.

The following amounts have been calculated using the most recent actuarial valuation as at September 30, 2021, extrapolated to March 31, 2023. The next full valuation of the plan will be as at September 30, 2024.

The accrued non-pension liability as at March 31, 2023 is calculated as follows:

	2023	2022
	\$	\$
Accrued benefit liability, beginning of year	11,642	11,353
Expense	304	507
Funding contributions	(273)	(218)
Accrued benefit liability, end of year	11,673	11,642
Less: current portion included in accounts payable and accrued liabilities	(496)	(424)
Long-term portion	11,177	11,218

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

10. Employee future benefits (continued)

The non-pension benefit expense for the year is calculated as follows:

	2023	2022
	\$	\$
Accrual for services	393	436
Interest on accrued benefits	279	270
Amortization of Actuarial gains during the period	(368)	(199)
Expense for the year	<u>304</u>	<u>507</u>

The accrued benefit liability as at March 31, 2023 is calculated as follows:

	2023	2022
	\$	\$
Accrued benefit obligation	7,019	7,208
Unamortized actuarial gains	4,654	4,434
	<u>11,673</u>	<u>11,642</u>

11. Related entities

(a) *Royal Victoria Regional Health Centre Auxiliary Inc.*

The Health Centre has an economic interest in the Royal Victoria Regional Health Centre Auxiliary Inc. ("the Auxiliary"). The Auxiliary supports and assists the Health Centre, its staff and the Foundation in providing the best level of patient care through support services; in part as overseen by the volunteer services department of the Health Centre. The Health Centre does not exercise control or significant influence over the Auxiliary and consequently these financial statements do not include assets, liabilities and activities of the Auxiliary.

(b) *The Royal Victoria Regional Health Centre Foundation*

The Royal Victoria Regional Health Centre Foundation ("the Foundation") was established to raise and manage funds for the benefit of the Health Centre. The Foundation is incorporated as a public foundation under the - Ontario Corporations Act and is a registered Charity under the Income Tax Act. The net assets and results of operations of the Foundation are not included in the statements of the Health Centre. As at December 31, 2022, an amount of \$50,053 (\$49,720 as at December 31, 2021) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

During the year the Foundation contributed \$327 (\$13,537 in 2022) to the Health Centre for the purchase of capital assets, which was recorded as deferred capital contributions. The Health Centre also received from the Foundation \$202 (\$369 in 2022) for small equipment and educational purposes.

(c) *Investment in joint venture*

The Health Centre has a 50% interest in a profit oriented joint venture - Royal ProResp Inc., which is primarily engaged in providing home respiratory care services and products.

The amount of \$161 (\$161 in 2022) reported on the statement of financial position as investment in joint venture, represents the Health Centre's share of the retained earnings of the joint venture.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

11. Related entities (continued)

(c) *Investment in joint venture (continued)*

Management fees in the amount of \$300 (\$499 in 2022) are included in Recoveries and other on the statement of operations. Amounts due from ProResp Inc. in the amount of \$300 (\$400 in 2022) are included in accounts receivable on the statement of financial position.

12. Specifically funded programs

The Health Centre administers a number of programs which are specifically funded by OH, the MOH and other agencies. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Health Centre and any excess or deficiency of revenues over expenses is settled with the MOH and other agencies on an annual basis. As at March 31, 2023, the Health Centre has included in accounts payable an amount of \$1,902 (\$1,089 in 2022) as due to the MOH and other agencies and has included in accounts receivable an amount of \$84 (nil in 2022) as due from the MOH and other agencies related to these programs.

	2023	2022
	\$	\$
Revenue		
Community Mental Health and Substance Abuse Programs	7,330	6,442
Primary Care Asthma Program	62	58
Children's Speech and Language Program - MCCSS	2,651	2,708
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,250	2,073
	14,103	12,091
Expenses		
Community Mental Health and Substance Abuse Programs	7,351	6,487
Primary Care Asthma Program	62	58
Children's Speech and Language Program - MCCSS	2,651	2,710
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,139	1,998
	14,013	12,063

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

13. Ontario Health Team transfer payment

The Health Centre is the Transfer Payment Recipient for the Barrie and Area Ontario Health Team ("OHT"). The statement of operations includes the following revenues and expenses associated with OHT initiatives:

	2023	2022
	\$	\$
OH and MOH funding	761	24
Salaries, wages and employee benefits	350	24
Supplies and other expenses	411	—
Total expenses	761	24
Excess of revenue over expenses	—	—

The statement of financial position includes \$287 (\$200 in 2022) in accounts payable and nil (\$24 in 2022) in accounts receivable associated with OHT initiatives.

14. Net change in non-cash working capital balances

	2023	2022
	\$	\$
Accounts receivable	5,233	(21,053)
Inventories	526	692
Prepaid expenses	933	(1,423)
Accounts payable and accrued liabilities (excluding current portion of employee future benefits liability)	17,208	43,560
	23,900	21,776

Decreases in assets and increases in liabilities are sources of funds. Increases in assets and decreases in liabilities are uses of funds (indicated by brackets).

15. Commitments and contingencies

(a) The Health Centre has various operating lease and service agreements with future minimum payments. For one of the operating leases included below, the Health Centre has committed sub-leases from third parties amounting to \$762 plus operating costs.

	\$
2024	4,642
2025	1,106
2026	1,113
2027	1,078
2028	877
2029 and thereafter	3,451
	<u>12,267</u>

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

15. Commitments and contingencies (continued)

- (b) The nature of the Health Centre's activities is such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2023, it is management's position that the Health Centre has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes such claims are not expected to have a material effect on the Health Centre's financial position.
- (c) A group of healthcare institutions, including the Health Centre, are members of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. The most recent Annual Report available for HIROC is as at December 31, 2022 and is not in a deficit position.

16. MOH/physician agreements

(a) *Emergency Physician alternative funding agreement*

The Health Centre has an agreement with the emergency physicians and the MOH for alternative funding for emergency services. The revenues and expenses included in the statement of operations are as follows:

	2023	2022
	\$	\$
Funding from MOH	10,930	9,536
Other revenue	244	171
	11,174	9,707
Medical staff remuneration		
Payments to physicians	11,121	9,655
Administration	53	52
	11,174	9,707
	—	—

(b) *Physician on call coverage*

The Health Centre has an agreement with the MOH for Physician on call coverage. The revenue and expenses included in the statement of operations are as follows:

	2023	2022
	\$	\$
Funding from MOH	3,154	3,003
Medical staff remuneration		
Payments to physicians	3,154	3,003
	—	—

Included in accounts payable is \$1 (\$60 in 2022) in unspent funding, as the physicians were compensated through the COVID-19 One-time Temporary Physician Funding for Hospitals.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2023

(In thousands of dollars)

17. Financial instruments and risk management

Establishing fair value

The carrying value of cash, short term investments, accounts receivable, grants receivable, accounts payable and accrued liabilities, approximates their fair value because of the relatively short period to maturity of the instruments.

Credit risk

Credit risk relates to the potential for financial loss due to one party to a financial instrument will fail to discharge an obligation. The Health Centre is exposed to credit risk on its accounts receivable.

Interest rate risk

Interest rate risk relates to the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates.

18. Asset Retirement Obligations

Effective April 1, 2022, the Health Centre adopted PS 3280, Asset Retirement Obligations. The adoption follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. The implementation of the new standard had no material impact on the Health Centre and as such, the opening balance as at March 31, 2022 has not been restated. As at March 31, 2023, the Health Centre has not recorded any liability relating to asset retirement obligations.

19. Comparative figures

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