Financial Statements of

KINGSTON HEALTH SCIENCES CENTRE

Year ended March 31, 2024

KINGSTON HEALTH SCIENCES CENTRE

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Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kingston Health Sciences Centre

Opinion

We have audited the financial statements of the Kingston Health Sciences Centre ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of revenues and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, its results of operations, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 the 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 24, 2024

KINGSTON HEALTH SCIENCES CENTRE
Statement of Financial Position

As at March 31, 2024
(in thousands of dollars)

	2024 $	2023 $
Assets		
Current assets		
Cash	69,721	56,318
Restricted cash	143,924	162,245
Accounts receivable	30,057	27,825
Due from Ministry of Health, Cancer Care Ontario and Ontario Health	21,673	26,696
Inventories	9,411	9,662
Other current assets	13,508	11,937
	288,294	294,683
Restricted cash	14,530	27,140
Other investments (note 3)	246	244
Investment in joint ventures (note 4)	4,220	3,536
Capital assets, net (note 5)	313,612	283,159
	620,902	608,762
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	160,742	140,757
Accrued compensation	48,171	55,820
Note payable – KGH Auxiliary (note 16(c))	90	90
Agency obligations (note 8)	3,113	3,596
Deferred contributions (notes 11 and 12)	9,349	9,351
Current portion of long-term debt (note 9)	1,519	2,001
	222,984	211,615
Long-term debt (note 9)	4,501	5,085
Asset retirement obligations (note 6)	21,766	18,409
Employee future benefits (note 10)	39,259	38,847
Interest rate swaps (note 9)	(22)	(25)
Deferred contributions (note 13)	207,267	206,803
Net assets		
Unrestricted	13,395	14,541
Internally restricted (note 22)	-	35,000
Invested in capital assets (note 7)	111,734	78,537
	125,129	128,078
Accumulated remeasurement gains (losses)	18	(50)
	125,147	128,028
Commitments (note 14)		
Contingencies (notes 17 and 18)		
	620,902	608,762

See accompanying notes.

On behalf of the Board:

David Pichora

Member

Sheri L McCullough

Member

KINGSTON HEALTH SCIENCES CENTRE
Statement of Revenues and Expenses

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

	2024 $	2023 $
Revenues		
Ministry of Health, and Ontario Health (note 21)	637,801	558,080
Other patient services	46,002	41,790
Clinical education, other votes and programs (note 19)	104,647	89,340
Ancillary services	4,305	3,769
Recoveries and other	33,376	26,623
Amortization of deferred capital contributions major equipment	7,422	7,409
Total revenues	833,553	727,011
Expenses		
Salaries and benefits	563,566	494,478
Patient care supplies and services	151,901	131,540
Utilities	8,156	8,047
General	90,076	77,843
Amortization of major equipment	17,070	16,640
Total expenses	830,769	728,548
Surplus (deficiency) of revenues over expenses before building and land improvements amortization	2,784	(1,537)
Amortization of deferred capital contributions – building and land Improvements	11,276	10,860
Amortization of building and land improvements	(17,009)	(13,451)
Disposal of leasehold improvements capital contribution	-	8,247
Loss on disposal of capital assets	-	(8,247)
Deficiency of revenues over expenses	(2,949)	(4,128)

See accompanying notes.

KINGSTON HEALTH SCIENCES CENTRE
Statement of Changes in Net Assets

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

	Unrestricted	Internally Restricted	Invested in Capital Assets	Total 2024 $	2023 $
Balance, beginning of year	14,541	35,000	78,537	128,078	132,206
Surplus (deficiency) of revenue over expense (note 7)	12,432	-	(15,381)	(2,949)	(4,128)
Interfund transfer (note 22)	35,000	(35,000)	-	-	-
Net change in investment in capital assets (note 7)	(48,578)	-	48,578	-	-
Balance, end of year	13,395	-	111,734	125,129	128,078

See accompanying notes.

KINGSTON HEALTH SCIENCES CENTRE
Statement of Cash Flows

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

	2024 $	2023 $
Operating activities		
Surplus (deficiency) of revenues over expenses	(2,949)	(4,128)
Add (deduct) non-cash items		
Amortization of capital assets	34,079	30,091
Amortization of deferred capital contributions	(18,698)	(18,269)
Interest rate swaps	3	(25)
Change in fair value of other investments	68	(3)
Change in non-cash working capital balances (note 15)	13,322	41,175
Increase in ARO liability valuation	3,392	-
Increase in employee future benefits	412	644
Asset retirement remediation	(35)	-
	29,594	49,485
Capital activities		
Purchase of capital assets	(61,140)	(56,161)
Write down of leasehold improvement	-	(8,247)
Write down of leasehold improvement deferred contribution	-	8,247
Asset retirement obligation revaluation	(3,392)	-
Receipt of deferred capital contributions	19,162	21,076
	(45,370)	(35,085)
Financing activities		
Proceeds from long-term debt	-	4,500
Repayment of long-term debt	(1,066)	(1,230)
Note payable – KGH Auxiliary	-	(100)
	(1,066)	3,170
Investing activities		
Sale (purchase) of investments, net	(2)	2
Investment in joint venture	(684)	-
	(686)	2
Increase (decrease) in cash during the year	(17,528)	17,572
Cash, beginning of year	245,703	228,131
Cash, end of year	228,175	245,703
Cash, end of year is represented by:		
Cash	69,721	56,318
Restricted cash (long-term and short-term)	158,454	189,385
	228,175	245,703

See accompanying notes.

KINGSTON HEALTH SCIENCES CENTRE
Statement of Remeasurement Gains and Losses

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

	2024 $	2023 $
Accumulated remeasurement losses, beginning of the year	(50)	(48)
Unrealized gains (losses) attributable to		
Investments designated at fair value	2	(3)
Interest rate swaps	(3)	(24)
Realized gain	69	25
Net remeasurement gains (losses) for the year	68	(2)
Accumulated remeasurement gains (losses), end of the year	18	(50)

See accompanying notes.

Nature of Operations

Kingston Health Sciences Centre (the Hospital) is a legal entity that represents the integration of the operations of Kingston General Hospital (KGH) and Hotel Dieu Hospital (HDH) effective April 1, 2017.

Respectful of the history and legacies of each hospital site, the Hospital provides compassionate, patient and family-centred care by partnering with patients, embracing education and supporting research. Kingston Health Sciences Centre serves a catchment of almost 500,000 people through the two hospital sites and several regional affiliated and community locations.

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.

1. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The more significant accounting policies are summarized as follows:

Ministry of Health, Cancer Care Ontario and Ontario Health Funding

Kingston Health Sciences Centre is funded primarily by the Province of Ontario. These financial statements reflect agreed funding arrangements approved by the Ministry of Health and Ontario Health (including Cancer Care Ontario) with respect to the year ended March 31, 2024.

Revenue Recognition

Kingston Health Sciences Centre follows the deferral method of accounting for contributions. 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 received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital assets.

Realized and unrealized investment income is recorded in deferred contributions to the extent there are external restrictions on the related investments. Unrestricted investment income is recognized as revenue when earned on the Statement of Revenues and Expenses.

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. Operating grants are recorded as revenue in the period to which they relate. Unspent operating grants that are subject to clawback are recorded as a liability in accounts payable and accrued liabilities and the corresponding cash is included in restricted cash on the Statement of Financial Position.

Revenue from all other sources is recognized when performance obligations are fulfilled.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Revenues and Expenses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Revenues and Expenses and any unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Revenues and Expenses.

Long-term debt is recorded at amortized cost. Interest rate swaps are recorded at fair value.

The Public Sector Accounting Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Capital Assets

Purchased capital assets are recorded at original cost. The original cost does not reflect replacement cost or market value upon liquidation. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Hospital’s ability to provide services, its carrying amount is written down to its residual value.

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

Land improvements	4% - 10%
Buildings and building service equipment	2% - 15%
Major equipment	5% - 33%

Costs of work in progress are capitalized. Amortization is not recognized until project completion.

Contributed Services

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

Inventories

Inventories are valued at the lower of average cost and net realizable value.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Amounts subject to estimates include post-retirement benefit obligations, asset retirement obligations and the carrying value of capital assets. Actual results could differ from those estimates.

Investment in Joint Ventures

The Hospital accounts for its investment in joint ventures using the equity method of accounting whereby the investments are carried at cost and adjusted for any contributions or withdrawals. The Hospital's share of the net earnings or losses of the joint ventures are reported in the Hospital's Statement of Revenues and Expenses.

Employee Benefit Plans

(a) Multi-Employer Pension Plan

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a defined benefit multi-employer pension plan.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2023 Annual Report indicates that the plan is fully funded at 115%.

(b) Accrued Post-Employment Benefits

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

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

The average remaining service period to retirement of employees covered by the employee benefit plan is 14 years (2023: 14 years).

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

(in thousands of dollars)

Asset Retirement Obligations

The Hospital recognizes the fair value of an Asset Retirement Obligation ("ARO") when all the following criteria have been met:

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

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

2. Change in Accounting Policies

On April 1, 2023, the Hospital adopted the following accounting standards applicable for fiscal years beginning April 1, 2023:

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

The adoption of these standards did not have an impact on the financial statements of the Hospital.

3. Other Investments

	Level	2024 $	2023 $
Equity shares (cost $Nil)	2	97	97
Corporate bonds (cost $153; 2023:$153)	2	149	147
		246	244

Corporate bonds earn interest at rates of 3.35% (2023: 3.35%).

There were no transfers in or out of Level 1, Level 2, or Level 3 for the years ended March 31, 2024 and 2023.

4. Investment in Queen's University and Kingston Health Sciences Centre Cogeneration Facility

Kingston Health Sciences Centre participates in a joint venture with Queen's University at Kingston for the operation of a cogeneration facility governed by a Management Board consisting of representatives of Queen's University at Kingston and the Hospital. The purpose of the facility is to produce electricity and steam. The Hospital's net capital investment in the joint venture is $4,220 (2023: $3,536). Kingston Health Sciences Centre's proportionate share of the joint venture is 40% and Queen's University at Kingston's proportionate share is 60%. Kingston Health Sciences Centre's share of the facility's excess of expense over revenue is $428 (2023: $573) and has been included in the Utilities Expense in the Statement of Revenues and Expenses.

(in thousands of dollars)

5. Capital Assets

Capital assets consist of the following:

	2024 $	2023 $
Land & land improvements	2,886	2,886
Buildings & building service equipment	510,032	493,898
Major equipment	374,784	358,870
Work in progress	94,846	62,361
	982,548	918,015
Less accumulated amortization		
Land & land improvements	973	958
Buildings & building service equipment	349,848	332,853
Major equipment	318,115	301,045
	668,936	634,856
Net capital assets	313,612	283,159

At March 31, the Hospital's outstanding purchase orders related to work in progress and major equipment purchases were approximately $19,189 (2023: $11,377). An additional $78,740 (2023: $65,446) of expenditures are estimated to complete the approved capital projects. These funds are included in restricted cash.

In fiscal 2024 it was determined that the original KGH Site Redevelopment project was not the preferred option for expansion to meet the future healthcare needs of the community. At request of the Ministry of Health, the Hospital is developing its Stage 1.2 Proposal (Master Program/Master Plan) submission to address the long-term health program needs of the South Eastern Ontario community, as well address the significant aging infrastructure at both the KGH and HDH sites. As this plan is being developed, it is anticipated that several bridging projects will be required to ensure that KHSC is able to respond to the growing health care needs of its community as the final KHSC Redevelopment plans are finalized and approved by the MOH. The life-to-date cost included in the work in progress at March 31, 2024 is $21,639 (2023: $20,513) with offsetting deferred capital contributions of $19,827 (2023: $19,827).

(in thousands of dollars)

HIRF Carry forward

Included in deferred contributions related to capital assets is $nil (2023: $381) related to Health Infrastructure Renewal Fund (HIRF) that was approved by the Ministry of Health to be carried forward to the following fiscal year.

6. Asset Retirement Obligation

The Hospital's asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing materials in accordance with current legislation. As remediation plans are not defined at March 31, discounting has not been applied and the full amount of the obligation is included as a long-term liability.

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

	2024 $	2023 $
Balance, beginning of the year	18,409	18,409
Revaluation during the year	3,392	-
Less: obligations settled during the year	(35)	-
Balance, end of year	**21,766**	**18,409**

7. Invested in Capital Assets

Net assets invested in capital assets are calculated as follows:

	2024 $	2023 $
Capital assets balance, end of the year	313,612	283,159
Amounts financed by:		
Deferred contributions related to capital assets	(195,858)	(197,536)
Long-term debt	(6,020)	(7,086)
	111,734	78,537

The change in net assets invested in capital assets is as follows:

	2024 $	2023 $
Excess of expenses over revenues		
Amortization of deferred contributions related to capital assets	18,698	18,269
Amortization of capital assets	(34,079)	(30,091)
	(15,381)	(11,822)

(in thousands of dollars)

7. Invested in Capital Assets (continued)

	2024 $	2023 $
Purchase of capital assets	61,140	56,161
Revaluation of asset retirement obligation	3,392	-
Amounts funded by		
Deferred contributions	(17,020)	(19,299)
Proceeds of long-term debt	-	(4,500)
Repayment of long-term debt	1,066	1,230
Disposal of leasehold improvement	-	(8,247)
Disposal of deferred contribution	-	8,247
	48,578	33,592

8. Agency Obligations

Kingston Health Sciences Centre acts as an agent, which holds resources and makes disbursements on behalf of various unrelated individuals and groups. The Hospital has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as increase to liabilities and subsequent distributions are reported as decreases to this liability.

9. Long-Term Debt

	2024 $	2023 $
Bank term loan with floating interest, payable in monthly installments of $62 on account of principal and interest, due on demand (a)	974	1,638
Bank term loan with floating interest, payable in monthly installments of $20 on account of principal and interest, due June 2027 (b)	733	948
Bank term loan with floating interest, payable in interest only monthly installments until September 2023, followed by monthly installments on account of principal and interest, due September 2037 (c)	4,313	4,500
	6,020	7,086
Less current portion of long-term debt	(1,519)	(2,001)
	4,501	5,085

The Hospital has entered into interest rate swap agreements to manage the volatility of interest rates. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt.

9. Long-Term Debt (continued)

The fair value of the interest rate swaps at March 31, 2024 is $22 (2023: $25) which is recorded on the Statement of Financial Position. The current year impact of the change in fair value of the interest rate swaps is $3 (2023: $25) on the Statement of Remeasurement Gains and Losses.

The fair value of the interest rate swaps has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(a) The interest rate swap agreement with banker, whereby the original notional principal of $7,800 was subject to a fixed rate of 3.4% while the Hospital received a floating interest rate, expired in February 2022. The outstanding loan amount converted March 1, 2022 to a variable interest at prime + 0%, and is payable on demand.

(b) The outstanding loan amount is subject to an interest rate swap agreement on an original notional principal of $1,894 with the banker whereby the Hospital receives a floating interest rate while paying a fixed rate of 3.4%.

(c) The outstanding loan amount was subject to a one-year interest-only payment, with first combined principal and interest payment being made September 2023. Annual rate floating and is determined as CDOR plus 90 basis points. Effective June 24, 2024 CDOR plus 90 basis points will be replaced with adjusted term CORRA plus 0.40%.

(d) The principal repayments due on long-term debt for each of the five years subsequent to March 31, 2024 and thereafter are as follows:
2025 $1,519; 2026 $553; 2027 $560; 2028 $362; 2029 $321 and thereafter $2,705.

(e) Interest on long-term debt in the amount of $397 (2023: $283) is included in general expense in the Statement of Revenues and Expenses.

(in thousands of dollars)

10. Post-Employment Benefits

Pension Plan

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $30,023 (2023: $27,208) and are included in salaries and benefits on the Statement of Revenues and Expenses.

Non-Pension Plans

The Hospital's post-employment benefit plans are comprised of medical, dental and life insurance coverage. The measurement date used to determine the accrued benefit obligation is March 31, 2024. The most recent actuarial valuation of the non-pension post-employment benefits plans for accounting purposes was as of March 31, 2024.

Information about the non-pension post-employment benefit plans is as follows:

	2024 $	2023 $
Accrued benefit obligation	20,193	33,903
Unamortized actuarial gains	19,542	5,476
Accrued compensation	(476)	(532)
Employee future benefits liability	39,259	38,847

The expense for the year related to these plans is $2,991 (2023: $3,094) and employer contributions for these plans is $2,634 (2023: $2,503).

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and the expense for the post-employment benefit plans is as follows:

- Discount rate for calculation of net benefit costs of 4.7% (2023: 3.7%).
- Discount rate to determine accrued benefit obligation for disclosure at end of period 4.5% (2023: 4.5%).
- Dental and extended health costs in 2024 are based on actual rates. Dental cost increases are assumed to be 5.0% to 2028 decreasing to an ultimate rate of 3.57% (2023: 3.0% to 2025 increasing to an ultimate rate of 3.57%). Extended health care costs are assumed to be 5.97% to 2028 decreasing to an ultimate rate of 3.57% (2023: 5.57% to 2025 decreasing to an ultimate rate of 3.57%).

(in thousands of dollars)

11. Deferred Contributions Related to Operations

Deferred contributions related to operations represent grants provided for specific operating purposes that have not yet been actualized. These grants have not been taken into revenue.

	2024 $	2023 $
Balance, beginning of year	9,302	7,511
Additional contributions received	1,248	2,595
Less amounts recognized to revenue	(1,250)	(804)
	9,300	9,302

12. Deferred Contributions Related to Externally Restricted Funds

Deferred contributions related to externally restricted funds represent grants, donations and other revenue provided for specific restricted purposes that have not yet been actualized. These grants, donations and other revenues have not been taken into revenue.

	2024 $	2023 $
Balance, beginning of year	49	49
Additional contributions received	-	-
Less amounts amortized to revenue	-	-
	49	49

13. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

Externally restricted contributions and investment income related to special capital funding are included in deferred contributions related to capital assets.

	2024 $	2023 $
Balance, beginning of year	206,803	212,243
Additional contributions received	19,162	21,076
Less amounts amortized to revenue	(18,698)	(18,269)
Less disposal	-	(8,247)
	207,267	206,803

The balance of unamortized capital contributions related to capital assets consists of the following:

	2024 $	2023 $
Unamortized capital contributions used to purchase assets	195,858	197,536
Unspent contributions	11,409	9,267
	207,267	206,803

(in thousands of dollars)

14. Commitments

Lease Commitments

Kingston Health Sciences Centre is committed under certain operating lease agreements to minimum lease payments as follows:

	2024 $
Year ending March 31	
2025	5,305
2026	4,154
2027	2,804
2028	1,844
2029	726
Total minimum lease payments	14,833

Capital Project Commitments

The Hospital is currently in the implementation phase of a major information systems project (referred to as "Lumeo RHIS") to replace its current core clinical system. Go-live is expected in the third quarter of F2025 with subsequent projects expected to be required to achieve system optimization. The project follows a "Governance and Master Services Agreement" led by the Hospital in partnership with Providence Care Centre, Brockville General Hospital, Lennox and Addington County General Hospital Association, Perth and Smith Falls District Hospital, and Quinte Health Care Corporation. The partners completed a rigorous process of procurement and planning, and the implementation began in July 2021. Under the agreement, the Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs.

Total regional costs incurred to date are $74,725 (2023: $42,203), of which $47,860 (2023: $26,140) is the Hospital's share of costs, net of partner contributions. These costs are included in Capital assets on the Statement of Financial Position and have been financed using internal resources. During the fiscal year, the Hospital expensed $nil (2023: $nil) relating to the project.

15. Net Change in Non-Cash Working Capital Balances Related to Operations

Net change in non-cash working capital balances related to operations consists of the following:

	2024 $	2023 $
Accounts receivable	(2,232)	2,345
Due from Ministry of Health and Ontario Health	5,023	12,017
Inventories	251	96
Other current assets	(1,571)	(1,332)
Accounts payable and accrued liabilities	19,985	21,795
Accrued compensation	(7,649)	4,001
Agency obligations	(483)	442
Deferred contributions	(2)	1,791
Net increase	13,322	41,155

16. Related Entities

This section addresses disclosure requirements regarding the Hospital's relationships with related entities.

(a) University Hospitals Kingston Foundation

Kingston Health Sciences Centre has an economic interest in the University Hospitals Kingston Foundation (UHKF). The primary purpose of UHKF is to act as a single fundraiser for Kingston Health Sciences Centre and Providence Care Centre (together, the "Kingston Hospitals") in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Kingston Hospitals. As outlined in the Operating Agreement between the Kingston Hospitals and UHKF, the Board of Directors of UHKF will determine the amount of unrestricted funds that are available for distribution to the Kingston Hospitals, and will determine in collaboration with the Chief Executive Officers of the Kingston Hospitals or their designates how these funds will be distributed among the Kingston Hospitals.

During the year, University Hospitals Kingston Foundation provided Kingston Health Sciences Centre $6,558 (2023: $6,171) to fund capital redevelopment, equipment purchases, research and special program costs. Total receivable at March 31 was $2,916 (2023: $197)

(b) Kingston Health Sciences Centre Volunteer Services to Hotel Dieu Hospital Site ("Volunteer Services")

Kingston Health Sciences Centre has an economic interest in Kingston Health Sciences Centre Volunteer Services to Hotel Dieu Hospital Site. Volunteer Services' mission is to support the HDH Hospital site by donating time and talents to enhance the lives of those in need. All donations from Volunteer Services are directed to the Hospital through the University Hospitals Kingston Foundation. The Volunteer Services Organization passed a resolution in October 2023 to voluntarily dissolve operations.

(c) Kingston General Hospital Auxiliary

Kingston Health Sciences Centre has an economic interest in Kingston General Hospital Auxiliary. Kingston General Hospital Auxiliary promotes and extends the interests of the Kingston Health Sciences Centre throughout the city and surrounding counties. It provides volunteer auxiliary services as requested by Kingston Health Sciences Centre administration through liaison with the Director of Volunteers and the President of the organization.

Kingston General Hospital Auxiliary also raises funds for the Kingston General Hospital site to be allocated to special gifts in a manner satisfactory to the administration of Kingston Health Sciences Centre and in harmony with the planning of the community.

During the year, Kingston General Hospital Auxiliary granted $218 (2023: $344) to the Hospital to fund equipment purchases and special program costs. Kingston Health Sciences Centre issued a note payable to Kingston General Hospital Auxiliary for $90 (2023: $90) which is payable on demand.

(d) Kingston Regional Hospital Laundry Incorporated

Kingston Health Sciences Centre has significant influence in Kingston Regional Hospital Laundry Incorporated (KRHL). KRHL, a Corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms, dry cleaning and other related laundry services to hospitals in the Southeast region. During the year, Kingston Health Sciences Centre paid $2,618 (2023: $2,612) to KHRL. These costs are included in general expenses on the Statement of Revenues and Expenses.

(in thousands of dollars)

16. Related Entities (continued)

(e) Queen's University and Kingston Health Sciences Centre Parking Commission

Kingston Health Sciences Centre has a long-term agreement, as equal partner with Queen's University at Kingston, for the operations of the Queen's University and Kingston Health Sciences Centre Parking Commission (the "Commission"). The principal business activities include the operation of an underground parking garage. Kingston Health Sciences Centre's share of the Commissions' excess of revenue over expense for 2024 amounts to $650 (2023: $454) and has been included in Ancillary services revenue in the Statement of Revenues and Expenses.

(f) Kingston General Health Research Institute (KGHRI)

The Hospital carries on its research mission through KGHRI, a federally incorporated not-for-profit corporation with registered charity status. KGHRI promotes medical scientific research and experimental development, including basic and clinical research, to produce scientific knowledge that contributes to the alleviation and prevention of human disease. Funding for the research institute is provided by a variety of external sources including Governments, charitable organizations, private industry and the Hospital. During the year, the KGHRI governance structure was amended, whereby the Hospital appoints the majority of the KGHRI's Board of Directors, effectively having control of the Institute.

The KGHRI has not been consolidated in the Hospital's financial statements. Financial summaries of the KGHRI as at March 31, 2024 and 2023 and for the years then ended are as follows:

Financial Position

	2024 $	2023 $
Total assets	11,767	11,370
Total liabilities	9,272	9,261
Total net assets (a)	2,495	2,109
	11,767	11,370

(a) In accordance with research grant and contract restrictions, $7,800 (2023 - $8,179) of the KGHRI's liabilities must be used, in subsequent periods, on active research projects.

Results of Operations

($ thousands)	2024 $	2023 $
Total revenues (a)	10,708	10,181
Total expenses (b)	10,322	9,701
Excess of revenue over expenses	386	480

(a) Total revenues include contributions of $3,035 (2023-$2,609) from the Hospital.
(b) Total expenses include payments of $4,233 (2023-$5,747) for services provided by the Hospital.

(g) Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston

The Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston ("RHSJ") is a registered charity and is incorporated under the Corporations Act of Ontario. RHSJ leases certain building assets at no charge for the Hospital to operate health services activity.

17. Liability Insurance

On July 1, 1987, a group of health care organizations formed the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber. No assessments have been made to March 31, 2024.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distributions receivable from HIROC as of March 31, 2024 (2023: $nil).

18. Contingencies

Kingston Health Sciences Centre activities are such that there are usually claims pending or in progress at any time. With respect to claims at March 31, 2024, management believes that reasonable provisions have been made in the accounts.

19. Clinical Education Program

The Hospital receives funding from the Ministry of Health to support Ontario medical education in collaboration with the Postgraduate Medicine Department at Queen’s University at Kingston. During the year, the Hospital's Clinical Education Program incurred expenses of $46,773 (2023: $41,213). The program has approved base funding in the amount of $45,770 (2023: $39,926) and one-time funding of up to $3,844 (2023: $2,032). The 2024 surplus of $2,841 (2023: $1,287) was accrued as a payable and is pending recovery by the Ministry of Health. The funding received for this program included one-time and base funding adjustments related to Bill 124 collective agreement settlements.

20. Financial Risks and Concentration of Credit Risk

(a) Credit Risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2024 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Revenues and Expenses. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Revenues and Expenses. The balance of the allowance for doubtful accounts at March 31, 2024 is $2,907 (2023: $2,658).

As at March 31, 2024, $1,926 (2023: $5,559) of accounts receivable were past due, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk on the Hospital’s other investments at March 31, 2024 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2023.

(b) Liquidity Risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

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

The contractual maturities of long-term debt, and interest rate swaps are disclosed in Note 9.

There have been no significant changes to the liquidity risk exposure from 2023.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital’s income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

- Interest rate risk:

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

  As at March 31, 2024, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate ($1) and $1 respectively.

20. Financial Risks and Concentration of Market Risk (continued)

The Hospital mitigates interest rate risk on certain of its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see Note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The Hospital's investments are disclosed in Note 3.

There has been no change to the interest rate risk exposure from 2023.

21. Bill 124

On November 7, 2019, Bill 124, the Protecting a Sustainable Public Sector for Future Generations Act, 2019 (the "Act") came into force. This statute limited increases of total compensation within the broader public sector to no more than 1% per 12-month period for three consecutive years.

On November 29, 2022 as a result of a successful Charter of Rights challenge before the Ontario Supreme Court of Justice, the Act was repealed. As a result, collective agreements which had limited increases to compensation entitlements to no more than 1% for three consecutive years under the repealed statute were reopened for retroactive adjustment.

The statement of revenue and expenses at March 31, 2023 included accruals based on management's estimate of potential amounts related to each collective agreement and the status of non-union (non-executive) wage grid adjustments under the repealed Act. No offsetting revenue was recognized against the amount accrued.

In fiscal 2024, the Ministry provided one-time funding in the amount of $52,832 to support the impacts of settlements related to retro and current year compensation increases for ONA, OPSEU central, CUPE, PARO, and non-bargaining non-executive hospital staff. The Ministry did not fund 100% of the Bill 124 impacts submitted by the Hospital.

Revenue recognized was $47,075, and the difference of $5,757 is set up as a payable at March 31, 2024. The payable primarily pertains to the Clinical Education Program Bill 124 expenses which was also funded through the Program's direct funding.

The Ministry did not differentiate the payment between retro and fiscal 2024 funding. Assuming payment was based on a pro-rata submission request, revenue of approximately $19,184 relates to retroactive payment pertaining to periods prior to April 1, 2023.

22. Internally Restricted Net Assets

The internally restricted net asset balance was appropriated for certain capital projects as approved by the Board of Directors. These projects are in progress and funds were unrestricted by the Board of Directors in fiscal 2024.

23. Comparative Information Reclassification

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in 2024.