UNIVERSITY OF OTTAWA
HEART INSTITUTE
INSTITUT DE CARDIOLOGIE
DE L'UNIVERSITÉ D'OTTAWA

UNIVERSITY OF OTTAWA HEART INSTITUTE

FINANCIAL STATEMENTS

MARCH 31, 2023

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the University of Ottawa Heart Institute

We have audited the financial statements of the University of Ottawa Heart Institute (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations 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
- 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, 2023, and its results of operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

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.

Emphasis of Matter - Restatement of financial statements

We draw attention to Note 3 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified with respect of this matter.

Other Matter - Restatement of financial statements

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the Auditor's report thereon, included in the University of Ottawa Heart Institute Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the financial statements and the Auditor's report thereon, included in the University of Ottawa Heart Institute Annual Report as at the date of this Auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the Auditor's report.

We have nothing to report in this regard.

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 for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 29, 2023

UNIVERSITY OF OTTAWA HEART INSTITUTE

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023
(in thousands of dollars)

		2023		2022 (restated - Note 3)
ASSETS				
CURRENT ASSETS				
Cash	$	**59,694**	$	49,439
Accounts receivable				
Ministry of Health		**7,457**		11,052
Patient services		**10,113**		8,185
Sundry		**1,275**		1,789
Inventories		**1,152**		1,207
Prepaid expenses		**2,370**		2,179
		82,061		73,851
CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 4)		**176,656**		190,812
INTANGIBLE ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 5)		**8,585**		9,913
		185,241		200,725
		267,302		274,576
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities		**54,663**		44,169
Accounts payable - Ministry of Health		**25,512**		31,278
Current portion of long-term debt (Note 9)		**1,500**		1,500
Current portion of obligation under capital lease (Note 10)		**1,173**		1,143
		82,848		78,090
LONG-TERM DEBT (Note 9)		**8,375**		9,875
OBLIGATION UNDER CAPITAL LEASE (Note 10)		**3,739**		4,802
EMPLOYEE FUTURE BENEFITS (Note 7)		**7,020**		6,516
ASSET RETIREMENT OBLIGATION (Note 11)		**912**		912
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)		**157,538**		172,589
		177,584		194,694
		260,432		272,784
NET ASSETS				
Unrestricted deficiency		**(5,134)**		(8,112)
Invested in capital assets and assets under capital lease (Note 12)		**12,004**		9,904
		6,870		1,792
	$	**267,302**	$	274,576

Contractual Obligations (Note 16)
Contingencies (Note 17)

APPROVED BY THE BOARD OF DIRECTORS

Jacqeli Gant

Director

Director

UNIVERSITY OF OTTAWA HEART INSTITUTE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023
(in thousands of dollars)

	Budget (unaudited)	2023	2022 (restated - Note 3)
REVENUE			
Ministry of Health			
Global allocation and Priority Program Services	$ 120,949	$ 121,572	$ 111,868
Quality-based procedures (QBP)	4,031	4,031	3,834
Health Based Allocation Model (HBAM)	51,356	51,357	51,357
Post Construction Operating Plan (PCOP) funding	18,172	18,172	15,658
Priority Program Services clawback	(1,757)	(3,597)	(4,708)
One-time cardiac & other	1,341	8,527	16,477
Other recoveries (clawbacks)	-	371	(10,812)
Cardiac Hospital On Call Coverage (HOCC)	648	667	648
Other Votes	326	326	326
	195,066	201,426	184,648
Patient services			
In-patient	16,440	17,297	16,514
Out-patient	18,750	22,544	21,206
Preferred accommodation	960	446	418
Other operating revenues and recoveries	3,510	5,119	3,171
Amortization of deferred contributions related to capital assets	15,550	15,668	15,732
	250,276	262,500	241,689
EXPENSES			
Salaries and benefits and purchased services	112,211	111,270	104,124
Medical staff remuneration	8,046	8,940	8,447
Medical surgical supplies	51,374	49,095	46,890
Drugs and medical gases	4,532	3,745	3,757
Supplies and other expenses	26,431	45,471	34,468
Service agreements (Note 15)	23,251	21,136	21,339
Interest charges	1,100	876	954
Amortization of capital assets and assets under capital lease	20,535	19,672	19,675
Amortization of intangible assets and assets under capital lease	1,390	1,424	1,035
Bad debts	600	626	450
Equipment rental	748	167	485
	250,218	262,422	241,624
EXCESS OF REVENUE OVER EXPENSES BEFORE THE NON-RECURRING ITEM	58	78	65
Non-recurring working capital settlement (Note 15)	-	5,000	-
EXCESS OF REVENUE OVER EXPENSES	$ 58	$ 5,078	$ 65

UNIVERSITY OF OTTAWA HEART INSTITUTE

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023
(in thousands of dollars)

	Unrestricted (Deficiency)	Invested in Capital Assets and Assets Under Capital Lease (Note 12)	2023 Total	2022 Total (restated - Note 3)
BALANCE, BEGINNING OF YEAR, PREVIOUSLY REPORTED	**$ (8,112)**	**$ 10,816**	**$ 2,704**	$ 2,639
Adjustment on adoption of asset retirement obligation standard (Note 3)	**-**	**(912)**	**(912)**	$ (912)
Net assets, beginning of year, as restated	**(8,112)**	**9,904**	**1,792**	**1,727**
Excess of revenue over expenses	**5,078**	**-**	**5,078**	65
Net change in investment in capital assets and assets under capital lease (Note 12)	**(2,100)**	**2,100**	**-**	-
BALANCE, END OF YEAR	**$ (5,134)**	**$ 12,004**	**$ 6,870**	$ 1,792

UNIVERSITY OF OTTAWA HEART INSTITUTE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
(in thousands of dollars)

		2023		2022
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Excess of revenue over expenses	$	**5,078**	$	65
Items not affecting cash :				
Amortization of deferred contributions related to capital assets		**(15,668)**		(15,732)
Amortization of capital assets and assets under capital lease		**19,672**		19,675
Amortization of intangible assets and assets under capital lease		**1,424**		1,035
Net increase in employee future benefits		**504**		94
Net change in non-cash working capital items (Note 13)		**6,773**		17,382
		17,783		22,519
INVESTING ACTIVITIES				
Net acquisition of capital assets		**(5,516)**		(3,961)
Net acquisition of intangible assets		**(96)**		(224)
		(5,612)		(4,185)
FINANCING ACTIVITIES				
Deferred contributions for capital assets received (Note 8)		**617**		740
Repayment of obligation under capital lease		**(1,033)**		(1,091)
Repayment of long-term debt		**(1,500)**		(5,773)
		(1,916)		(6,124)
NET CHANGE IN CASH DURING THE YEAR		**10,255**		**12,210**
CASH, BEGINNING OF YEAR		**49,439**		**37,229**
CASH, END OF YEAR	**$**	**59,694**	**$**	**49,439**

1. Purpose of the organization:

The University of Ottawa Heart Institute (“the Institute") is incorporated without share capital under the *Ontario Corporations Act*. It provides a full range of cardiac services including primary and secondary prevention, diagnosis and treatment, rehabilitation, research and education. It is the sole provider of interventional cardiology and cardiac surgery for Eastern Ontario and Western Quebec. The Institute focuses its clinical activity in three major areas: open heart surgery, interventional cardiology and arrhythmia procedures. As a registered charity, the Institute is exempt from income taxes under subsection 149(1)(f) of the *Income Tax Act*.

2. Significant accounting policies:

The financial statements are prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and reflect the following significant accounting policies:

(a) Revenue recognition

Under the *Health Insurance Act* and regulations thereto, the Institute is funded primarily by the Province of Ontario, in accordance with the budget arrangements established by the Ministry of Health (MOH). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent period.

The Institute receives funding for operations for certain programs from the Ministry of Health of Ontario. The final amount of operating revenue recorded cannot be determined until the Ministry of Health of Ontario has reviewed the Institute's financial and statistical returns for the year. Any adjustments arising from the Ministry of Health of Ontario review are recorded in the period in which the adjustments are made.

The Institute follows the deferral method of accounting for contributions which include government grants and donations. 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 incurred. Where a portion of a restricted contribution relates to a future period, it is deferred and recognized in the subsequent period. Contributions restricted for the purchase of capital assets are deferred and amortized as revenue in the statement of operations at a rate corresponding with the amortization rate for the related capital assets.

Revenues from patient services, and other operating revenues and recoveries are recognized when the services are provided and when collection is reasonably assured.

2. Significant accounting policies (continued):

(b) Contribution and capital grants receivable:

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Capital grants receivable are related to grants obtained for capital assets acquisitions or projects, which have been approved by the funder and are receivable by the Institute at year-end. Capital grants receivable are also being added to the deferred contributions related to capital assets and amortized in future years at the same rate as the rate of amortization of the related assets.

(c) 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.

(d) Inventories:

Inventories are valued at lower of cost and replacement cost, with cost being determined using the average cost basis. Replacement cost is the estimated cost to replenish the inventory at current market prices.

(e) Financial instruments:

(i) *Measurement of financial instruments:*

The Institute initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Institute subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, and accounts receivables.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, accounts payable – Ministry of Health, and long-term debt.

2. Significant accounting policies (continued):

(e) Financial instruments:

(ii) *Impairment:*

Financial assets measured at amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of possible impairment. The Institute determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced to the highest of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the initial carrying value. The amount of the reversal is recognized in operations.

(iii) *Transaction costs:*

The Institute recognizes its transaction costs in operations in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost adjust the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

(f) Capital assets and assets under capital lease:

Purchased capital assets and assets under capital lease are recorded at cost. Construction in progress is not amortized until the project is complete and the facilities come into use. Equipment is not amortized until it is ready to be used. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the estimated life of the assets.

Capital assets are amortized on a straight-line basis over the following periods:

Asset	Rate
Buildings and building improvements	20 years
Diagnostic and operating equipment	5 to 15 years
Network Infrastructure	10 to 20 years

When a capital asset no longer contributes to the Institute's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

2. Significant accounting policies (continued):

(g) Intangible assets and assets under capital lease:

Purchased intangible assets are recorded at cost and are amortized on a straight-line basis as follows:

Asset	Rate
Software	5 years
Health Information System	15 years

(h) Employee future benefits:

(i) Pension plan:

Substantially all Institute employees are eligible to be members of the Hospitals of Ontario Pension Plan ("the Plan"), which is a multi-employer defined benefit plan. The Institute considers the Plan as a defined contributions plan for accounting purposes since there is not sufficient information available to apply defined benefit pension plan accounting standards. Accordingly, the Institute's contributions to the Plan are recognized as expenses based on accounting standards for defined contributions plans.

(ii) Extended health, dental and life benefits:

The Institute provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

The Institute accrues its obligations for employee benefit plans as the employees render the services necessary to earn the benefits. 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. The most recent actuarial valuation was performed as at March 31, 2022. The next scheduled valuation will be as at March 31, 2025.

Adjustments arising from plan amendments, including past service costs, are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the expected average remaining service life of active employees.

(iii) Compensated absences:

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Institute's benefit plans for vacation and sick leave.

2. Significant accounting policies (continued):

(i) Cash:

The Institute's policy is to present bank balances under cash, including bank overdrafts with balances that can fluctuate from being positive to overdrawn.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period covered. Actual amounts could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known. The main estimates relate to the assumptions underlying the employee future benefit liability calculation, impairment of financial assets such as the allowance for doubtful accounts, the useful life of capital assets, and the accrued liability for the expected impact of salary increases related to the repeal of Bill 124.

In addition, the Institute’s implementation of PSAS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the expected retirement costs, as well as the timing and duration of these retirement costs.

(k) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are 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.

The liability for the removal of asbestos in several of the buildings owned by the Institute has been recognized based on estimated future expenses. The recognition of the liability resulted in an accompanying increase to the opening net assets.

The building capital assets affected by the asbestos liability are fully amortized.

3. Implementation of new accounting standard:

On April 1, 2021, the Institute adopted Canadian public accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption.

(in thousands of dollars)

3. Implementation of new accounting standard (continued):

On April 1, 2021, the Institute recognized an asset retirement obligation relating to several buildings owned by the Institute that contain asbestos. The buildings were originally purchased between 1976 and 1989 and the liability was measured as of the date of purchase of the buildings, when the liability was assumed. The buildings had an expected useful life of 20 years, and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, the Institute reflected the following adjustments April 1, 2021 and for the year ended March 31, 2022:

- A total liability of $912 was recorded for the asset retirement obligation.
- A decrease to opening accumulated surplus of $912, as a result of the recognition of the liability.

4. Capital assets and assets under capital lease:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Capital assets:				
Buildings and buildings improvements	$ 244,310	$ 89,720	$ 154,590	$ 165,771
Diagnostic and operating equipment	83,392	65,553	17,839	20,161
Network infrastructure	786	471	315	393
Construction in progress	182	–	182	11
	328,670	155,744	172,926	186,336
Assets under capital lease:				
Operating equipment	7,460	3,730	3,730	4,476
	$ 336,130	$ 159,474	$ 176,656	$ 190,812

At March 31, 2022, cost and accumulated amortization amounted to $330,614 and $139,802, respectively.

(in thousands of dollars)

5. Intangible assets and assets under capital lease:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Intangible assets:				
Software	$ 1,024	$ 947	$ 77	$ 103
Health information system	10,386	3,325	7,061	8,232
	11,410	4,272	7,138	8,335
Assets under capital lease:				
Health information system	1,973	526	1,447	1,578
	$ 13,383	$ 4,798	$ 8,585	$ 9,913

At March 31, 2022, cost and accumulated amortization amounted to $13,287 and $3,374, respectively.

6. Bank loan:

The Institute also has an overdraft lending agreement with the Toronto Dominion Bank for an amount of $500 for the purpose of financing a Letter of Credit for the City of Ottawa in connection with the construction of a new building which reached substantial completion in January 2020. This operating loan is repayable on demand, bears interest at prime rate minus 0.75% and is secured by a general security agreement. This operating loan was not used by the Institute as of March 31, 2023.

7. Employee future benefits and pension plan:

(a) Extended health, dental and life benefits:

The Institute offers a defined benefit plan which provides extended health care and dental insurance benefits to certain of its employees. This coverage is extended to the post-retirement period. The most recent complete actuarial valuation of employee future benefits was completed as at March 31, 2022. The next scheduled valuation will be as at March 31, 2025.

As The Ottawa Hospital (TOH) manages all human resources functions for the Institute, the Institute's employees are offered the same future benefits as are offered to the employees of TOH and are included in the overall calculation of estimated future benefits. The Institute's share of the employee future benefits is calculated using the Institute's management best estimate.

(in thousands of dollars)

7. Employee future benefits and pension plan (continued):

(a) Extended health, dental and life benefits:

As at March 31, 2023, the Institute's estimated extrapolated liability associated with the employee future benefits plan is as follows:

	2023	2022
Accrued benefit obligation	$ 6,634	$ 6,070
Unamortized experience losses	386	446
Employee future benefits liability	$ 7,020	$ 6,516

The Institute's defined benefit plan for employee future benefits is not funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions used in measuring the Institute's accrued benefit obligation are as follows:

	2023	2022
Discount rate – accrued benefit obligation	3.89%	3.89%
Dental cost increases	3.75%	3.75%
Extended health care cost increases	5.75%	5.75%
Expected average remaining service life of employees	12 years	12 years

The employee future benefits liability increased by $504 for the year ended March 31, 2023 (2022 - increased by $94). This amount is included in the salaries and benefits expense in the statement of operations and is comprised of the following:

	2023	2022
Balance, beginning of year	$ 6,516	$ 6,422
Current service cost	615	318
Interest cost	246	181
Benefits paid	(281)	(359)
Amortization of experience losses	(76)	(46)
	$ 7,020	$ 6,516

(in thousands of dollars)

7. Employee future benefits and pension plan (continued):

(b) Hospital of Ontario Pension Plan:

Substantially all of the employees of the Institute are members of the Hospital of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the Plan made during the year by the Institute for the benefit of its employees amounted to $6,340 (2022 - $6,365) and are included in the salaries and benefits expense in the statement of operations.

Variances between actuarial funding estimates and actual experience may be material and differences are generally funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2022 indicates that the Plan is fully funded.

8. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent unamortized amount of donations and grants restricted for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at a rate corresponding to the amortization rate of the related capital assets.

	2023	2022
Balance, beginning of year	$ 172,589	$ 187,581
Plus: Contributions received or recognized during the year	617	740
Less: Amortization of deferred contributions related to capital assets	(15,668)	(15,732)
Balance, end of year	$ 157,538	$ 172,589

(in thousands of dollars)

9. Long-term debt

On October 31, 2019 the Institute repaid their operating line of credit with a pre-approved term loan of $15,000, with an interest rate through a SWAP contract, maturing on October 31, 2024, with an option to renew for an additional 5 years. As at March 31, 2023 the SWAP contract showed an accumulated unrealized gain of $295 (2022 - gain of $58).

	2023	2022
Term loan – interest rate through a SWAP contract at a fixed rate of 2.57% plus a spread, maturing on October 31, 2024, payable in monthly installments of $125 principal	$ 9,875	$ 11,375
Current portion of long-term debt	(1,500)	(1,500)
	$ 8,375	$ 9,875

Long-term debt estimated principal repayments and renewable balance over the next years are as follows:

	Payable	Renewable	Total
2024	$ 1,500	$ –	$ 1,500
2025	875	7,500	8,375
	$ 2,375	$ 7,500	$ 9,875

(in thousands of dollars)

10. Obligation under capital lease:

		2023		2022
Imaging equipment lease contract with a net book value of $3,730 – 5.77%, maturing in April 2028, payable in monthly instalments of $82, with a purchase option at maturity of one dollar.	$	4,312	$	4,938
Software license contract for the Health Information System with a net book value of $1,446 – 3.14%, maturing in August 2024, payable in monthly instalments of $36, with ownership automatically transferred to the Institute at the end of the contract at no cost.		600		1,007
		4,912		5,945
Current portion of obligation under capital lease		(1,173)		(1,143)
	$	3,739	$	4,802

2024	$	1,413
2025		1,161
2026		981
2027		981
2028		981
Thereafter		81
		5,598
Interest included in instalments		686
	$	4,912

11. Asset retirement obligation:

The Institute owns and operates buildings that are presumed to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS3280 Asset Retirement Obligations, the Entity recognized an obligation of $912 relating to the removal and post-removal care of the asbestos in these building as estimated at April 1, 2022. The buildings had an estimated useful life of 20 years when they were purchased between the years 1976 and 1989. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

The asset retirement obligations at year end are $912 (2022 - $912).

(in thousands of dollars)

12. Investment in capital assets and assets under capital lease:

Investment in capital assets and assets under capital lease is calculated as follows:

	2023	2022
Capital assets and assets under capital lease	$ 176,656	$ 190,812
Intangible assets and assets under capital lease	8,585	9,913
	185,241	200,725
Financed by:		
Deferred contributions related to capital assets (Note 8)	157,538	172,589
Long-term debt (Note 9)	9,875	11,375
Obligations under capital lease (Note 10)	4,912	5,945
Asset retirement obligation (Note 11)	912	912
Net investment in capital assets and assets under capital lease, end of year	$ 12,004	$ 9,904

Net change in investment in capital assets and assets under capital lease is calculated as follows:

	2023	2022
Acquisition of capital assets and assets under capital lease	$ 5,516	$ 3,961
Acquisition of intangible assets and assets under capital lease	96	224
Amount funded by deferred contributions related to capital assets received or receivable	(617)	(740)
Amounts funded by capital lease:		
Repayment	1,033	1,091
Amounts funded by long-term debt and bank loan:		
Repayment	1,500	5,773
Amortization of deferred contributions related to capital assets	15,668	15,732
Amortization of capital assets and assets under capital lease	(19,672)	(19,675)
Amortization of intangible assets	(1,424)	(1,035)
	$ 2,100	$ 5,331

(in thousands of dollars)

13. Net change in non-cash working capital items:

		2023		2022
Accounts receivable	$	2,181	$	(2,854)
Inventories		55		530
Prepaid expenses		(191)		(1,628)
Accounts payable and accrued liabilities		10,494		5,715
Accounts payable – Ministry of Health		(5,766)		15,619
Net change in non-cash working capital	$	6,773	$	17,382

14. Financial risks and concentration of risk:

The Institute is exposed to a variety of financial risks including credit, market and liquidity risks. The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Institute's financial performance.

(a) Credit risk:

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Institute's main credit risks relate to its accounts receivable. The Institute provides credit to its patients in the normal course of its operations.

The Institute is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. This risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services.

The Institute establishes allowances for doubtful accounts while keeping in mind the specific credit risk of patients and their historic tendencies and economic situation. Approximately 43% of the total accounts receivable is to be received from insurers and patients, 50% from the Ministry of Health of Ontario, 6% related to harmonized sales tax receivable and 1% from other organizations. The Institute considers that no significant risk arises from that situation.

At March 31, 2023, the following patients accounts receivable were outstanding:

	30 days	60 days	90 days	Over 90 days	2023 Total	2022 Total
Patients accounts Receivable balances	$ 3,971	$ 2,303	$ 646	$ 4,298	$ 11,218	$ 8,789
Less: allowances	(229)	(134)	(40)	(702)	(1,105)	(604)
Net	$ 3,742	$ 2,169	$ 606	$ 3,596	$ 10,113	$ 8,185

14. Financial risks and concentration of risk (continued):

(b) 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 risk comprises of three types of risks: currency risk, interest rate risk, and other price risks.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is exposed to interest risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Institute to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

To manage its interest rate risk, the Institute has entered into an interest rate swap agreement as described in Note 9. Consequently, the Institute's long-term debt bears a fixed interest rate and, as a result, the risk exposure is minimal.

For the Institute's balance due to TOH bearing a variable interest rate, the Institute's interest risk exposure is function of the changes of the underlying variable. However, a variation of 1% of the variable would not have a significant effect on the net earnings and financial position of the Institute.

(ii) 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 Institute is not exposed to currency risk from its financial instruments.

(ii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Institute is not exposed to other price risk from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk the Institute will be unable to fulfill its financial obligations on a timely basis or at a reasonable cost. The Institute manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

(in thousands of dollars)

14. Financial risks and concentration of risk (continued):

(c) Liquidity risk (continued):

As at March 31, 2023, the Institute had the following financial liabilities with the following due dates:

	Up to 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	2023 Total	2022 Total
Accounts payable and accrued liabilities	$ 46,319	$ 1,794	$ 6,155	$ 395	$ 54,663	$ 44,169
Accounts payable – MOH	936	14,310	10,167	99	25,512	31,278
Long-term debt	750	750	6,000	2,375	9,875	11,375
Obligation under capital lease	580	593	3,739	–	4,912	5,945
Asset retirement obligation	–	–	–	912	912	912
	$ 48,585	$ 17,447	$ 26,061	$ 3,781	$ 95,874	$ 93,679

The Institute's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Institute's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

15. Related party transactions:

The following transactions are considered to be in the normal course of operations and are measured at the exchange amount.

(a) The Ottawa Hospital:

The Institute has an economic interest in TOH due to the relationship between the Institute and TOH. The Institute has entered into service agreements with TOH where several services such as laboratory services, facilities and administrative support are provided by TOH. Therefore, the services rendered by TOH are currently essential to the Institute's operational activities. The service agreement is in effect until March 31, 2026 and each service level agreement is negotiated annually at fair market value per service rendered and based on the volume of activities. During the year, the Institute made total payments to TOH under the service agreements in the amount of $21,136 (2022 - $21,339).

15. Related party transactions (continued):

(a) The Ottawa Hospital (continued):

Prior to April 1st, 1999, the assets, liabilities, and operations of the Institute were accounted for as part of TOH. On the creation of the Institute as a separate legal entity on April 1st, 1999, included in part of the transfer of net liabilities was $5,305 owing to TOH. During the year ended March 31, 2023, TOH forgave $5,000 of this original amount owing by the Institute in recognition as full and final settlement of this legacy net liability. This $5,000 is reflected as a non-recurring working capital settlement on the Statement of Operations.

Furthermore, the land used by the Institute for its premises is leased by TOH from the Government of Canada. The land in turn is leased by the Institute for an annual nominal payment of $1 under a long-term agreement expiring March 31, 2035 subject to the rights of renegotiation and extension set out in the lease.

As at March 31, 2023, the Institute has an unsecured account payable to TOH of $2,291 (2022 - $6,323) bearing interest at prime rate.

(b) University of Ottawa Heart Institute Foundation:

The Institute has an economic interest in the Ottawa Heart Institute Foundation (the “Foundation) since the Foundation raises funds and holds resources that are used to benefit the Institute. The Foundation coordinates and promotes fundraising and endowment activities to support and fund capital projects of the Institute and various other programs and activities such as research, patient care, education and other activities concerning cardiovascular health at the Institute and the Ottawa Heart Institute Research Corporation (“the Corporation”). The Foundation is incorporated without share capital under the Canada Not-for-Profit Corporations Act. The Foundation is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act.

Included in accounts receivable is $148 (2022 - $132) owing from the Foundation mainly for capital funding. Included in accrued liabilities is $nil (2022 - $5,378) owing to the Foundation.

During the year, the Institute received funding of $1,139 (2022 - $1,175) from the Foundation to support clinical programs, equipment purchases and capital programs.

(c) Ottawa Heart Institute Research Corporation:

The Institute has an economic interest in the Ottawa Heart Institute Research Corporation (“the Corporation”). The purpose of the Corporation is to conduct, acquire, solicit or receive research contributions to operate and maintain laboratories and a research facility for the benefit of the Institute. The Corporation is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the *Income Tax Act*. In addition, the Corporation is classified as a non-profit corporation for scientific research and experimental development as defined in subsection 149(1)(l) of the *Income Tax Act*. The Corporation is incorporated without share capital under the *Canada Not-for-Profit Corporations Act*.

(in thousands of dollars)

15. Related party transactions (continued):

(c) Ottawa Heart Institute Research Corporation (continued):

As at March 31, 2023, the Institute has accounts receivable amounting to $103 (2022 - $166) relating to construction projects and other costs incurred on behalf of the Corporation and has accrued liabilities amounting to $26,737 (2022 - $8,912) which consists of funding received on behalf of the Corporation and payroll and other support costs incurred by the Corporation on behalf of the Institute. These amounts are non-interest bearing and have no specified terms of repayment.

During the year, the Institute provided $29,595 (2022 - $9,715) of base funding in support of research to the Corporation. These amounts are included under supplies and other expenses in the statement of operations.

The Corporation provides payroll management services to the Institute for a limited group of employees at no cost. All salaries and benefits' costs are reimbursed on a monthly basis by the Institute. During the year, a total of $9,769 (2022 - $7,226) in salaries and benefits were reimbursed to the Corporation by the Institute.

(d) Alumni and Auxiliary:

The Institute has an economic interest in the Ottawa Heart Institute Alumni Association ("the Alumni") and the Heart Institute Auxiliary ("the Auxiliary"). The object of the Auxiliary and the Alumni is to raise and receive funds to be distributed towards various programs and capital projects of the Institute, the Corporation and the Foundation. The Auxiliary and Alumni are tax-exempt entities created under the laws of Ontario.

16. Contractual obligations:

The Institute is committed under long-term leases and supplier contracts for various services and equipment to make payments over the following years is estimated as follow:

2024	$ 162
2025	125
2026	125
2027	21

As described in Note 15, the Institute has entered into a long-term service agreement with TOH for several services provided by TOH. The agreement is in effect until March 31, 2026. Each service level agreement is negotiated annually at fair market value per service rendered and based on the volume of activities.

17. Contingencies:

(a) The Institute is a party to various claims related to its operations. It is not possible to determine the outcome or to estimate the possible financial liability, if any, to the Institute. No provision has been made for loss in these financial statements, but in management's opinion, these claims will not have a material adverse effect on its financial position or results of operations.

(b) A group of hospitals, including the Institute, have 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. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No such assessments have been made to March 31, 2023.

(c) The Institute is contingently liable under a letter of credit in the amount of $386 (2022 - $386) as required by the Institute's site plan agreement with the City of Ottawa related to the completion of the construction and renovation project which reached substantial completion in January 2020. This letter of credit expires on December 31, 2023.

(d) The Institute has guaranteed, in the form of a second ranking security in all of its personal property, a credit facility the University of Ottawa Heart Institute Foundation has entered into with the Royal Bank of Canada composed of a fixed rate facility ($10,000). The fixed rate facility balance at March 31, 2023 was $5,301, maturing January 31, 2028, which is fixed at a rate of 2.10% plus a spread, through a forward SWAP contract.

(e) On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Institute has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

18. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Institute, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Institute's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Any adjustments to Management's estimate of MOH revenues will be reflected in the Institute's financial statements in the year of settlement.

The Institute has recognized MOH funding for incremental COVID-19 operating expenses of $379 (2022 - $2,375).

The Institute has also recognized $3,452 (2022 - $3,949) in MOH funding related to COVID-19 surgical premiums.

In addition, the Institute has recognized $2,214 (2022 - $378) in MOH funding for other COVID-19 related expenditures such as, employee and physician pandemic pay and pandemic prevention and containment costs.

19. Comparative information

Certain other comparative information has been revised to reflect the current year's financial statement presentation.