Financial statements

London Health Sciences Centre

March 31, 2023

Management's report

The accompanying financial statements of **London Health Sciences Centre** [the "Centre"] have been prepared by Management, reviewed and recommended by the Resource and Audit Committee, and approved by the Board of Directors at their meeting on May 31, 2023.

The Board of Directors carries out its responsibility for the Centre's financial statements principally through its Resource and Audit Committee. The Resource and Audit Committee meets with Management and the internal and external auditors to review any significant accounting and auditing matters and discuss the results of audit examinations. The Resource and Audit Committee also reviews the financial statements and the auditor's report and submits its findings to the Board of Directors for its consideration in approving the financial statements.

The Centre maintains a system of internal accounting controls, which is continually reviewed and improved to provide assurance that financial information is relevant, reliable, and accurate, and that assets are appropriately accounted for and adequately safe-guarded.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances.

Jackie Schleifer Taylor, PT, PhD, CHE (Original Signed)
President and CEO

Abhi Mukherjee, CPA, CA (Original Signed)
Corporate Services Executive/CFO

London, Canada
May 31, 2023

Independent auditor's report

To the Board of Directors of
London Health Sciences Centre

Opinion

We have audited the financial statements of **London Health Sciences Centre** [the "Centre"], which comprise the statement of financial position as at March 31, 2023 and the statement of changes in net assets, statement of remeasurement gains and losses, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

London, Canada
May 31, 2023

Chartered Professional Accountants
Licensed Public Accountants

London Health Sciences Centre

STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands of dollars]

	2023 $	2022 $ *[restated - note 2]*
ASSETS		
Current		
Cash and cash equivalents	**244,128**	254,173
Restricted cash and portfolio investments *[notes 4 and 9]*	**7,327**	8,361
Accounts receivable – Ministry of Health ["MOH"] and Ontario Health ["OH"]	**56,861**	77,438
Accounts receivable – patient and other *[notes 9[c] and 17]*	**53,386**	51,545
Due from related entities *[note 16]*	**8,478**	9,250
Inventory	**14,261**	12,923
Prepaid expenses	**7,057**	5,220
	391,498	418,910
Restricted cash and portfolio investments *[note 4]*	**1,409**	2,291
Interest rate swaps *[note 7]*	**205**	—
Investments in joint ventures *[note 17]*	**11,329**	11,350
Capital assets, net *[notes 2 and 5]*	**948,885**	938,603
	1,353,326	1,371,154
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges *[note 17]*	**234,749**	174,611
Accounts payable – MOH and OH	**87,838**	104,071
Current portion of long-term liabilities *[note 7]*	**8,110**	7,512
Current portion of employee future benefits *[note 15]*	**1,973**	1,808
Current portion of capital lease obligations *[note 10]*	**3,692**	3,458
Current portion of deferred contributions *[note 12]*	**10,216**	13,426
	346,578	304,886
Long-term liabilities *[note 7]*	**89,375**	97,701
Asset retirement obligation *[notes 2 and 8]*	**39,412**	38,923
Employee future benefits *[note 15]*	**30,761**	31,408
Interest rate swaps *[note 7]*	—	3,750
Capital lease obligations *[note 10]*	**5,110**	4,127
Deferred contributions *[note 12]*	**1,355**	1,357
Deferred capital contributions *[note 11]*	**622,449**	628,203
	1,135,040	1,110,355
Commitments and contingencies *[notes 14 and 17]*		
NET ASSETS		
Internally restricted net assets	**37,714**	31,781
Unrestricted net assets *[note 2]*	**180,367**	232,768
Accumulated remeasurement gains (losses)	**205**	(3,750)
	1,353,326	1,371,154

See accompanying notes to financial statements

On behalf of the Board of Directors:

Phyllis Retty (Original Signed)
Chair, Board of Directors

Terry Marcus (Original Signed)
Chair, Resource and Audit Committee

London Health Sciences Centre

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31
[in thousands of dollars]

	Internally restricted $	Unrestricted $	2023 Total $	2022 Total $ *[restated - note 2]*
Net assets, beginning of year, as previously reported				300,788
Adjustment for opening balance of asset retirement obligation *[note 2]*				(34,559)
Net assets, beginning of year, as restated	**31,781**	**232,768**	**264,549**	266,229
Deficit	—	**(46,468)**	**(46,468)**	(1,680)
Interfund transfers	**5,933**	**(5,933)**	—	—
Net assets, end of year	**37,714**	**180,367**	**218,081**	264,549

See accompanying notes to financial statements

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year ended March 31
[in thousands of dollars]

	2023 $	2022 $
Accumulated remeasurement losses, beginning of year	**(3,750)**	(10,563)
Unrealized gain on interest rate swaps *[note 7]*	**3,706**	6,330
Realized loss on interest rate swaps reclassified to statement of operations *[note 7]*	**249**	483
Accumulated remeasurement gains (losses), end of year	**205**	(3,750)

See accompanying notes to financial statements

London Health Sciences Centre

STATEMENT OF OPERATIONS

Year ended March 31
[in thousands of dollars]

	2023 $	2022 $ *[restated - note 2]*
REVENUE		
MOH and OH	**1,272,533**	1,253,559
Non-patient	**145,382**	94,420
Patient	**74,289**	69,912
Preferred accommodation	**5,856**	6,008
Amortization of deferred capital contributions *[note 11]*	**29,937**	28,620
Interest	**6,025**	980
	1,534,022	1,453,499
EXPENSES		
Salaries and wages	**822,362**	774,037
Employee benefits *[note 15]*	**168,651**	151,900
Supplies and other	**222,322**	188,454
Medical and surgical supplies	**121,371**	103,093
Drugs	**172,122**	166,211
Amortization of capital assets	**66,061**	63,040
Interest and other *[note 7]*	**6,191**	6,850
	1,579,080	1,453,585
Deficit before undernoted item	**(45,058)**	(86)
Loss on investments in joint ventures *[note 17]*	**(1,410)**	(1,594)
Deficit	**(46,468)**	(1,680)

See accompanying notes to financial statements

London Health Sciences Centre

STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of dollars]

	2023 $	2022 $ *[restated - note 2]*
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficit	**(46,468)**	(1,680)
Add (deduct) non-cash items:		
Amortization of capital assets	**66,061**	63,040
Amortization of deferred capital contributions	**(29,937)**	(28,620)
Decrease in deferred contributions related to future operating expenses	**(3,212)**	(370)
Decrease in deferred capital contributions reallocated	**(5,119)**	(989)
Loss on disposal of capital assets	**507**	856
Accretion expense on asset retirement obligation	**1,323**	1,280
Increase (decrease) in employee future benefits	**(482)**	161
Decrease in due from related entities	**772**	1,791
	(16,555)	35,469
Net change in non-cash working capital items *[note 13]*	**59,466**	63,287
Cash provided by operating activities	**42,911**	98,756
FINANCING ACTIVITIES		
Contributions received related to capital assets	**28,238**	26,392
Decrease in short-term liabilities	—	(8,300)
Decrease in other long-term liabilities	**(872)**	(371)
Increase in long-term debt	—	33,350
Repayment of long-term debt	**(6,856)**	(5,793)
Decrease in asset retirement obligation	**(834)**	—
Payment of capital lease obligations	**(3,750)**	(5,471)
Cash provided by financing activities	**15,926**	39,807
INVESTING ACTIVITIES		
Decrease in restricted cash and portfolio investments, net	**1,916**	842
Decrease in investments in joint ventures	**21**	712
Cash provided by investing activities	**1,937**	1,554
CAPITAL ACTIVITIES		
Proceeds on sale of capital assets	**44**	22
Purchase of capital assets	**(70,863)**	(60,378)
Cash used in capital activities	**(70,819)**	(60,356)
Net increase (decrease) in cash and cash equivalents during the year	**(10,045)**	79,761
Cash and cash equivalents, beginning of year	**254,173**	174,412
Cash and cash equivalents, end of year	**244,128**	254,173

See accompanying notes to financial statements

Notes to financial statements

[in thousands of dollars]

March 31, 2023

1. Purpose of the organization

London Health Sciences Centre [the “Centre”] was incorporated without share capital under the *Corporations Act* (Ontario). The Centre is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes. The Centre is dedicated to excellence in patient care, teaching and research and is one of Canada’s largest acute-care teaching hospitals.

The Centre receives the majority of its operating funding from the Province of Ontario in accordance with budget policies established by the Ontario Ministry of Health [“MOH”] and Ontario Health [“OH”]. Capital redevelopment expenditures are primarily funded by the MOH and philanthropic contributions.

The Centre operates under a Hospital Service Accountability Agreement [“H-SAA”] and a Multi-Sector Service Accountability Agreement [“M-SAA”] with OH. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Centre. The H-SAA and M-SAA set out the funding provided to the Centre together with performance standards and obligations that establish acceptable results for the Centre’s performance. The Centre retains any excess or deficiency of revenue over expenses during the year in accordance with the H-SAA.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with the *CPA Canada Public Sector* [“PS”] *Accounting Handbook*, which sets out Canadian generally accepted accounting principles for government not-for-profit organizations [“GNPOs”] in Canada. The Centre has chosen to use the standards specified for GNPOs set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

[a] Revenue recognition

The 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 estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

Contributions externally restricted for capital assets are initially recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated.

Revenue from patient services, non-patient services and preferred accommodation is recognized when the services have been provided or when the goods have been sold.

Investment income (loss) is recognized as revenue when earned, except to the extent it relates to deferred contributions and amounts held for others, in which case it is added to the deferred contributions and amounts held for other balances, respectively. Investment income (loss) consists of interest, dividends and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

[b] Inventory

Inventory is valued at the lower of cost and net realizable value, which is considered to be current replacement cost on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

[c] Cash, restricted cash and cash equivalents

Cash, restricted cash and cash equivalents consist of cash on deposit and guaranteed investment certificates.

[d] Investments

The Centre has interests in economic activities where there is shared ownership of these activities by the venturers. The accounts of these joint venture activities are included in the accompanying financial statements following the modified equity method. The modified equity method is a basis of accounting for the Centre's business partnerships, whereby the equity method of accounting is only modified to the extent the venturer's accounting policies are not adjusted to conform with those of the Centre.

When the Centre has significant influence or control of a not-for-profit organization, it is disclosed in the notes to the financial statements.

[e] Capital assets

Capital assets are recorded at original cost. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis over the estimated useful life of the asset. The amortization periods are as follows:

Land improvements	5–20 years
Buildings and building service equipment	5–50 years
Parking lot pavement	8 years
Equipment and furniture	5–20 years
Computer equipment and software	3–5 years

Donated capital assets are recorded at fair market value at the date of contribution. Construction and projects in progress include construction and development costs and capitalized interest.

No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

External labour and incremental internally reassigned personnel costs associated with specific projects are included in their cost, and are capitalized and amortized over the life of the project.

When a capital asset no longer has any long-term service potential to the Centre, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

[f] Asset retirement obligations

Asset retirement obligations are recorded in the period during which a legal obligation associated with the retirement of a capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the amount required to retire a capital asset at the financial statement date. A corresponding amount is added to the carrying amount of the related capital asset and is then amortized over its remaining useful life. Changes in the liability due to the passage of time are recognized as an accretion expense in the statement of operations, with a corresponding increase in the liability.

The estimated amounts of future costs to retire the assets are reviewed annually and adjusted to reflect the then current best estimate of the liability. Adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement as well as changes in the legal requirements of the obligation and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset. If the related capital asset is no longer in productive use, all subsequent changes in the estimate of the liability for asset retirement obligations are recognized as an expense in the period incurred.

A liability continues to be recognized until it is settled or otherwise extinguished.

Effective April 1, 2022, the Centre adopted the new accounting standard PS 3280, Asset Retirement Obligations, issued by the Canadian Public Sector Accounting Board. This standard provides guidance over the reporting of legal obligations associated with the retirement of capital assets that are either currently in productive use or no longer in productive use and controlled by the entity, and the costs associated with the retirement of these assets.

The Centre has adopted the standard using the modified retrospective approach, which uses assumptions and discount rates as of April 1, 2022. The asset retirement obligation liabilities and the related increase to capital assets are measured as of the date the legal obligations were incurred, adjusted for the accumulated accretion and amortization as of that date. The comparative figures have been restated with the cumulative effect of applying the new standard recorded to the opening balance of unrestricted net assets on April 1, 2021. As a result of the application of the new standard, the previously reported excess of revenue over expenses for the year ended March 31, 2022 was reduced by $1,280 of accretion expense and $233 of additional amortization expense for a total reduction of $1,513. The opening balance of unrestricted net assets as at April 1, 2021 was decreased by $34,559. The balance sheet as at March 31, 2022 reflected an increase in the previously reported capital assets of $2,851 and the creation of an asset retirement obligation of $38,923.

[g] Capital leases

A lease contract is accounted for as a capital lease if the Centre intends to obtain legal title to the asset at the end of the lease term, the lease term covers a significant portion of the asset's useful life, or the Centre has determined that the vendor will recover the investment cost of the asset as well as earn a return on that investment. The capital cost of the leased asset is amortized on a straight-line basis over the useful life of the asset.

[h] Use of estimates

The preparation of the Centre's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimation processes relate to employee future benefits, asset retirement obligations, and revenue recognized from the MOH and OH. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected, such as funding adjustments from the MOH and OH. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. Actual results could differ from those estimates.

[i] Employee future benefits

[i] Multi-employer pension plan

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer plan, whereby contributions are expensed on an accrual basis, as the Centre has insufficient information to apply defined benefit plan accounting.

[ii] Other employee future benefits

The Centre accrues its obligations for other employee future benefits. The cost of other employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Centre's cost of borrowing. Differences arising from past service costs are expensed in the period of plan amendment. Actuarial gains and losses are amortized on a straight-line basis in the statement of operations over the expected average remaining service life of employees, which ranges from 4.8 to 15.4 years.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[j] Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; [ii] cost or [iii] amortized cost. The Centre determines the classification of its financial instruments at initial recognition. The financial instruments are measured as follows:

[i] Portfolio investments are measured at fair value, with changes in fair value recognized in the statement of remeasurement gains and losses.
[ii] Accounts receivable, due from related entities, accounts payable and accrued charges and long-term debt are measured at amortized cost, net of any provision for impairment.
[iii] Derivatives are measured at fair value on the statement of financial position, with changes in value recognized in the statement of remeasurement gains and losses. The Centre does not engage in derivative trading or speculative activities.

Transaction costs related to financial assets and financial liabilities measured at fair value are expensed to interest and other expenses, net as incurred.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

A change in the fair value of a financial instrument in the fair value category is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. In the reporting period that a financial instrument in the fair value category is derecognized, the accumulated remeasurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

As at each financial statement date, the Centre assesses financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss. A loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the Centre becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value.

[k] Contributed services and materials

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related financial statement notes. Contributed materials are also not recognized in the financial statements.

[l] Internally restricted net assets

Internally restricted net assets represent amounts set aside for future capital and other special projects.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

3. Funds held in trust

The Centre holds funds in trust for the Academic Medical Organization of Southwestern Ontario, an unincorporated association with which the Centre has a service level agreement. The funds are not available for the use or benefit of the Centre and are disbursed according to the terms of the agreement. Funds held in trust are not included in the Centre's statement of financial position. The amount of funds held in trust as at March 31, 2023 was $8,718 [2022 – $7,490].

4. Restricted cash and portfolio investments

	2023 $	2022 $
Externally restricted		
Short-term restricted portfolio investments – fixed income	**4,422**	4,318
Internally restricted		
Long-term restricted cash	**450**	436
Short-term restricted portfolio investments – fixed income	**2,905**	4,043
Long-term restricted portfolio investments – fixed income	**959**	1,855
	8,736	10,652
Less current portion of restricted cash and portfolio investments	**7,327**	8,361
Total long-term restricted cash and portfolio investments	**1,409**	2,291

Internally restricted funds are funds to be spent on specific internal initiatives as approved by the Board of Directors. Externally restricted funds include MOH funds received for large building and demolition projects and funds received from other external parties for specific purposes. All restricted funds are maintained in restricted accounts until they are spent. The funds are recorded on the statement of financial position as either short-term or long-term based on when the funds are anticipated to be spent. Fixed income portfolio investments consist of guaranteed investment certificates *[note 9[b]]*.

5. Capital assets

	2023		2022	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
			[restated – note 2]	
Land	**3,997**	**—**	3,997	—
Construction and projects in progress	**11,225**	**—**	14,891	—
Buildings, building service equipment and land improvements	**1,126,469**	**414,053**	1,106,261	387,801
Parking lot pavement	**6,673**	**3,572**	4,749	3,056
Equipment and furniture [a]	**743,680**	**525,534**	693,491	493,929
	1,892,044	**943,159**	1,823,389	884,786
Less accumulated amortization	**943,159**		884,786	
Net book value	**948,885**		938,603	

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[a] During the year, the Centre recorded $1,064 [2022 – $205] in contributed assets and the related deferred capital contributions.

The above capital assets include assets under capital lease of $15,465 [2022 – $16,911] at cost with accumulated amortization of $6,663 [2022 – $9,326].

6. Credit facilities

The credit facilities as at March 31, 2023, established with the Centre's bankers, consist of a line of credit of $75,000 [2022 – $75,000] to be used for general operating purposes and to bridge capital expenditures. This facility bears interest at the Bankers' Acceptance rate plus 0.45%. No amount was drawn on this facility as at March 31, 2023 or March 31, 2022.

7. Long-term liabilities and interest rate swaps

	2023 $	2022 $
Long-term debt		
Term instalment loan at 4.73% [a]	**6,016**	6,800
Term instalment loan at 2.43% [a]	**5,001**	6,387
Term instalment loan at 5.68% [b]	**18,853**	19,757
Term instalment loans at 4.17% [c]	**22,347**	23,517
Term instalment loan at 2.60% [d]	**6,170**	6,530
Term instalment loan at 1.61% [e]	**2,265**	2,767
Term instalment loan at 2.30% [f]	**29,350**	30,693
Term instalment loan at 2.26% [g]	**4,325**	4,543
Term instalment loan at 2.53% [h]	**1,961**	2,150
	96,288	103,144
Less current portion	**7,310**	6,972
	88,978	96,172
Other long-term liabilities		
Employee benefit rebates [i]	**852**	1,668
Accumulating and non-vesting sick pay benefits [j]	**345**	401
	1,197	2,069
Less current portion	**800**	540
	397	1,529
	89,375	97,701
Interest rate swaps		
Interest rate swap on term instalment loan [a]	**42**	219
Interest rate swap on term instalment loan [a]	**(188)**	(101)
Interest rate swap on term instalment loan [b]	**2,323**	3,505
Interest rate swaps on term instalment loans [c]	**1,203**	2,287
Interest rate swap on term instalment loan [d]	**(416)**	(245)
Interest rate swap on term instalment loan [e]	**(112)**	(99)
Interest rate swap on term instalment loan [f]	**(2,617)**	(1,567)
Interest rate swap on term instalment loan [g]	**(368)**	(226)
Interest rate swap on term instalment loan [h]	**(72)**	(23)
	(205)	3,750

Notes to financial statements

[in thousands of dollars]

March 31, 2023

The fair value of the interest rate swap ["IRS"] amounts disclosed above reflects the estimated amount that the Centre, if required to settle the outstanding contract, would be required to pay as at year-end and represents the difference between the net present value of the cash flows based on the swap rate at inception and the net present value of the cash flows based on the projected swap rate for the remaining term of the swaps.

[a] The Centre has a non-revolving term instalment loan on the first Victoria Hospital parking structure bearing interest at a floating rate of the Bankers' Acceptance rate plus 0.65% and due on December 30, 2027. Quarterly equal blended payments of principal and interest commenced September 30, 2003. As at March 31, 2023, the agreement represented a notional principal amount of $6,016 [2022 – $6,800].

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate of the Bankers' Acceptance rate plus 0.65% annually for a fixed rate of 4.73%.

As at March 31, 2023, the fair value of this IRS agreement represented a liability of $42 [2022 – $219].

The Centre has a non-revolving term instalment loan on its University Hospital parking structure bearing interest at a floating rate of the Bankers' Acceptance rate plus 0.55% and due on July 31, 2026. Monthly equal blended payments of principal and interest commenced December 1, 2022. As at March 31, 2023, the agreement represented a notional principal amount of $5,001 [2022 – $6,387].

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate of the Bankers' Acceptance rate for a fixed rate of 2.43%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $188 [2022 – $101].

The Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

[b] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.75% on a second parking facility that has been constructed at Victoria Hospital and the purchase of other long-term assets. Monthly equal blended payments of principal and interest commenced March 31, 2012. The maturity date of this agreement is September 30, 2036.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.75% annually for a fixed rate of 5.68%.

As at March 31, 2023, the fair value of this IRS agreement represented a liability of $2,323 [2022 – $3,505].

As noted in [a], the Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[c] The Centre has two non-revolving floating rate term instalment loans to finance expenditures related to the Phase 5 Co-Generation project at Victoria Hospital and the Emergency Backup Generator project at University Hospital. The loans bear interest at a floating rate of prime less 0.75% and are due on September 30, 2036. Monthly blended payments of principal and interest commenced October 1, 2011.

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt and has addressed this risk by entering into IRS agreements that fix the interest rate over the term of the debt. The IRS agreements cause the Centre to swap its floating rate obligation at prime less 0.75% annually for a fixed rate of 4.17%. The maturity date of these agreements is September 1, 2036.

As at March 31, 2023, the fair value of these IRS agreements represented a liability of $1,203 [2022 – $2,287].

[d] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.30% on the purchase of long-term assets. Monthly equal blended payments of principal and interest commenced April 28, 2017. The maturity date of this agreement is March 30, 2037.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.30% annually for a fixed rate of 2.60%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $416 [2022 – $245].

[e] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.30% related to the replacement of chiller systems. Monthly equal blended payments of principal and interest commenced August 31, 2017. The maturity date of this agreement is July 31, 2027.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.30% annually for a fixed rate of 1.61%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $112 [2022 – $99].

[f] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate to finance the replacement of the emergency generator at Victoria Hospital. Monthly equal blended payments of principal and interest commenced October 29, 2021. The maturity date of this agreement is September 30, 2041.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate for a fixed rate of 2.30%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $2,617 [2022 – $1,567].

[g] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate to finance the replacement of the boiler plant at University Hospital. Monthly equal blended payments of principal and interest commenced May 29, 2020. The maturity date of this agreement is April 30, 2040.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate for a fixed rate of 2.26%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $368 [2022 – $226].

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[h] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate to finance the purchase of long-term assets. Monthly equal blended payments of principal and interest commenced April 29, 2022. The maturity date of this agreement is March 31, 2032.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate for a fixed rate of 2.53%.

As at March 31, 2023, the fair value of this IRS agreement represented an asset of $72 [2022 – $23].

[i] This represents the rebate portion of certain legislated employee benefits programs to fund future costs.

[j] The Centre has an obligation for accumulating and non-vesting sick pay benefits for certain employee groups. These benefits are paid out upon an illness or injury-related absence. Sick pay benefits adjusted during the year were $55 [2022 – $95].

[k] Principal payments due under the various debt agreements are as follows:

	$
2024	7,310
2025	7,576
2026	7,849
2027	7,239
2028	6,148
Thereafter	60,166
	96,288

Interest expense incurred in the year amounted to $4,233 [2022 – $3,969].

8. Asset retirement obligation

The asset retirement obligation relates to the Centre's buildings and underground fuel tanks and is based on internal expert assessments and/or third-party engineering reports that estimate the costs of remediation. The buildings and underground fuel tanks have no set retirement date; however, the remaining useful life is 10 to 25 years and the asset retirement obligation is amortized over the remaining period on a straight-line basis.

The estimated total undiscounted expenditures are $85,596 and they are expected to be incurred and settled at the end of the buildings and underground fuel tanks useful life. The liability is calculated using a discount rate of 3.4%. The Centre does not anticipate that it will be able to recover any asset retirement costs from a third party. In addition, it has no legal requirement to fund this obligation and, as such, has not set aside any assets designated for payment of this liability.

The changes in the asset retirement obligation are as follows:

	2023	**2022**
	$	$
		[restated - Note 2]
Asset retirement obligation, beginning of year	**38,923**	37,643
Accretion expense	**1,323**	1,280
Settlements during the year	**(834)**	—
Asset retirement obligation, end of year	**39,412**	38,923

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[in thousands of dollars]

March 31, 2023

9. Financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1: valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant inputs have been considered in measuring fair value.

The following tables present the financial instruments measured at fair value classified according to the fair value hierarchy described above:

	Fair value as at March 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets and liabilities				
Cash and cash equivalents	**223,830**	**20,298**	**—**	**244,128**
Restricted cash and portfolio investments *[note 4]*	**450**	**8,286**	**—**	**8,736**
Interest rate swaps *[note 7]*	—	**205**	**—**	**205**
	224,280	**28,789**	**—**	**253,069**

	Fair value as at March 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets and liabilities				
Cash and cash equivalents	234,373	19,800	—	254,173
Restricted cash and portfolio investments *[note 4]*	436	10,216	—	10,652
Interest rate swaps *[note 7]*	—	(3,750)	—	(3,750)
	234,809	26,266	—	261,075

There have been no material transfers between Levels 1 and 2 for the years ended March 31, 2023 and March 31, 2022.

Financial risks

The Centre's investment activities expose it to a range of financial risks. The Centre manages these financial risks in accordance with its internal policies.

[a] Market risk

Market risk is the risk that the fair value or future cash flows related to a financial instrument will fluctuate as a result of changes in market conditions including interest rates. Significant volatility in interest rates and equity values in which the Centre's investments are held can significantly impact the value of the investments.

[in thousands of dollars]

[b] Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of a financial instrument due to fluctuations in interest rates. The Centre is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents, investments and long-term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Centre's operating results.

To manage the risks identified for its investments, the Centre has an investment policy setting out a target mix of investments designed to provide an optimal rate of return within reasonable risk tolerances. The investment policy is renewed annually.

Fixed income portfolio investments have an average term to maturity of 0.7 years [2022 – 0.7 years] and an average yield of 4.20% [2022 – 0.58%] as at March 31, 2023 based on market values. Due to the short-term nature of the Centre's portfolio investments, there would be no significant changes in net assets if interest rates were to change.

The Centre mitigates interest rate risk on its long-term debt through derivative financial instruments that exchange the variable rate inherent in the long-term debt for a fixed rate *[note 7]*. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

[c] Credit risk

Credit risk arises from the possibility that the entities from which the Centre receives funding may experience difficulty and be unable to fulfil their obligations. The majority of the Centre's accounts receivable are owed by government agencies with good credit standing. As at March 31, 2023, patient and other accounts receivable totalled $53,386 [2022 – $51,545]. As a result, the requirement for credit risk related reserves for accounts receivable is minimal. The Centre has no significant concentration of credit risk with any one individual customer. There are no significant past due or impaired balances as at March 31, 2023.

[d] Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its obligations as they fall due. To manage liquidity risk, the Centre keeps sufficient resources readily available to meet its obligations, including its available line of credit *[note 6]* that may be used when sufficient cash flow is not available from operations to cover operating expenditures. The Centre believes that its current sources of liquidity are sufficient to cover its known short-term and long-term cash obligations.

The majority of accounts payable and accrued charges are expected to be settled in the next fiscal year. The maturities of other financial liabilities are provided in the notes to the financial statements related to those liabilities.

10. Capital lease obligations

The Centre has entered into the following capital lease obligations for equipment:

	2023 $	2022 $
Total minimum lease payments	**8,344**	6,964
Less amounts representing interest	**926**	511
Add residual values	**1,384**	1,132
Present value of capital lease obligations	**8,802**	7,585
Less current portion of capital lease obligations	**3,692**	3,458
	5,110	4,127

Notes to financial statements

[in thousands of dollars]

March 31, 2023

Principal payments due under capital lease obligations are as follows:

	$
2024	3,451
2025	2,284
2026	1,185
2027	498

11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of externally restricted contributions received related to capital assets. Changes in the deferred capital contributions balance are as follows:

	2023 $	2022 $
Balance, beginning of year	**628,203**	631,215
Contributions received during the year		
MOH and OH	**21,420**	22,635
Foundations	**6,116**	3,534
Other	**1,766**	428
Capital contributions reallocated	**(5,080)**	(66)
Capital contributions reclassified to accounts payable	**(39)**	(923)
Amortization	**(29,937)**	(28,620)
Balance, end of year	**622,449**	628,203

The above deferred capital contributions include funds received but not amortizing in the amount of $25,973 [2022 – $26,413].

12. Deferred contributions

Deferred contributions represent unspent grants for operating purposes that have been received and relate to a subsequent year. Changes in the deferred contributions balance are as follows:

	2023 $	2022 $
Balance, beginning of year	**14,783**	15,153
Contributions received during the year		
OH	**2,505**	360
Foundations	**844**	811
Other	**1,370**	1,069
Amounts reclassified during the year	**825**	—
Amounts recognized as revenue during the year	**(8,756)**	(2,610)
Balance, end of year	**11,571**	14,783
Less current portion	**10,216**	13,426
	1,355	1,357

Notes to financial statements

[in thousands of dollars]

March 31, 2023

13. Statement of cash flows

The net change in non-cash working capital items related to operations consists of the following:

	2023	2022
	$	$
Cash provided by (used in)		
Accounts receivable – MOH and OH	**20,577**	(2,442)
Accounts receivable – patient and other	**(1,841)**	(63)
Inventory	**(1,338)**	(765)
Prepaid expenses	**(1,837)**	450
Accounts payable and accrued charges	**60,138**	30,176
Accounts payable – MOH and OH	**(16,233)**	35,931
	59,466	63,287

Non-cash transactions during the year related to contributed capital assets and the related deferred capital contributions of $1,064 [2022 – $205] are excluded from the statement of cash flows.

14. Commitments and contingencies

[a] The Centre has entered into operating leases for premises and equipment. Minimum rental payments over the next four years are as follows:

	$
2024	1,050
2025	1,018
2026	758
2027	26

[b] The Centre is subject to certain actual and potential legal claims that have arisen in the normal course of operations. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments are determined to be required. With respect to claims as at March 31, 2023, it is management's position that the Centre has valid defences and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may result from such claims.

[c] The Centre routinely engages in collective bargaining and is subject to various human rights matters under provincial legislation when employees or groups within the bargaining units file grievances against the Centre or when the collective bargaining agreements are negotiated, which may result in retroactive payments.

[d] On November 8, 2019, the Ontario legislature passed Bill 124. The legislation imposed a series of 3 year moderation periods. During moderation periods, increases to salaries and total compensation were capped at 1% per year subject to certain exceptions. On November 29, 2022, Bill 124 was repealed by the Superior Court of Justice of Ontario. As a result, the Centre has accrued retroactive wages and benefits related to unionized and non-unionized employees within accounts payable and accrued charges.

[e] The Centre's Board of Directors has approved capital expenditures for the replacement of diagnostic imaging equipment and the replacement of an emergency generator, totalling $79,636 of which $17,964 remains unspent, to be completed by March 31, 2024. Financing related to the emergency generator project totals $31,200 and is outlined in note 7. The diagnostic imaging equipment replacement is being financed through operations.

[in thousands of dollars]

15. Employee future benefits

[a] Multi-employer pension plan

Substantially all of the employees of the Centre are members of the HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Centre's contributions to the HOOPP during the year amounted to $49,352 [2022 – $47,774]. This amount is included in employee benefits expense in the statement of operations.

The financial statements for the year ended December 31, 2022 for HOOPP disclosed net assets available for benefits of $103,674,000 [2021 – $114,414,000] with pension obligations of $92,721,000 [2021 – $85,902,000], resulting in a surplus of $10,953,000 [2021 – $28,512,000].

[b] Other employee future benefits

The Centre provides post-retirement benefits of extended health coverage, dental and semi-private insurance. The most recent actuarial valuation for financial reporting purposes was completed by the Centre's independent actuaries as of March 31, 2023.

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligations for the other employee future benefits are as follows:

	2023	**2022**
	%	%
Discount rate	**4.5**	3.6
Executive supplementary pension increase	**1.5**	1.5
Health care inflation	**4.6**	4.4

The significant actuarial assumptions adopted in measuring the Centre's benefits expense are as follows:

	2023	**2022**
	%	%
Discount rate	**3.6**	2.7
Executive supplementary pension increase	**1.5**	1.5
Health care inflation	**4.4**	4.2

The health care inflation is expected to decrease to an ultimate rate of 3.8% in 2040 and thereafter. Benefits paid during the year were $1,522 [2022 – $1,282]. These obligations are funded in the year they are paid out.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

The following table presents information related to the Centre's post-retirement benefits as at March 31, including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

	2023	2022
	$	$
Accrued benefit obligation		
Balance, beginning of year	**24,241**	26,058
Current service cost	**1,239**	1,383
Interest cost	**887**	719
Benefits paid	**(1,973)**	(1,808)
Actuarial gain	**(2,492)**	(2,111)
Balance, end of year	**21,902**	24,241
Unamortized net actuarial gain	**10,832**	8,975
Employee future benefit liability	**32,734**	33,216
Less current portion	**1,973**	1,808
Total long-term employee future benefits liability	**30,761**	31,408

Unamortized actuarial losses are amortized over the expected average remaining service life of employees. The Centre's benefit plan expense was as follows:

	2023	2022
	$	$
Current service cost	**1,239**	1,383
Interest cost	**887**	719
Amortization of actuarial loss	**(635)**	(133)
Net benefit plan expense	**1,491**	1,969

16. Related entities

Amounts due from related entities in the Centre's financial statements are as follows:

	2023	2022
	$	$
London Health Sciences Centre Research Inc. [a]	**7,891**	8,750
London Health Sciences Foundation [b]	**587**	500
	8,478	9,250

All related party transactions are in the normal course of operations and are measured at the agreed-upon exchange amount. The Centre is also party to joint venture agreements that are described in note 17.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[a] London Health Sciences Centre Research Inc. [“LHSCRI”]

The Centre has significant influence in LHSCRI, which is incorporated without share capital under the laws of Ontario. The Centre entered into an agreement with St. Joseph’s Health Care, London [“SJHC”], Lawson Research Institute [“LRI”] and LHSCRI to form a Board of Directors to conduct joint research activities as the Lawson Health Research Institute. The Lawson Health Research Institute is jointly controlled by LHSCRI and LRI. Each venturer continues to account for costs independently. The accounts of LHSCRI and Lawson Health Research Institute are not included in these financial statements.

The Centre provided approximately $459 [2022 – $459] in funding to LHSCRI to assist with the operations of LHSCRI. In addition, facilities and certain administrative functions are provided at no cost to LHSCRI.

LHSCRI relies on the Centre to provide payroll and other administrative support and reimburses the Centre for costs incurred on its behalf.

Included in the amounts due from LHSCRI is $2,657 [2022 – $4,881], the disbursement of which is at the discretion of the Centre.

[b] London Health Sciences Foundation [the “Foundation”]

The Foundation is an independent corporation incorporated without share capital under the laws of Ontario with its own separate Board of Directors. The Foundation’s accounts are not included in these financial statements. The Foundation relies on the Centre to provide payroll, facilities and other administrative support and reimburses the Centre for costs incurred on its behalf.

During the year, the Foundation contributed funds to the Centre for capital, patient care, education and research needs of the Centre as set out below:

	2023 $	**2022** $
Capital	**5,984**	2,541
Patient care	**1,443**	802
Education	**568**	318
Research	**151**	20
	8,146	3,681

17. Investments in joint ventures

The Centre has entered into the following joint ventures, which are accounted for on the modified equity basis of accounting as follows:

	2023 $	**2022** $
Investment in Western ProResp Inc. [a]	**5,395**	5,090
Investment in HMMS [b]	**2,251**	2,227
Investment in PaLM [c]	**3,683**	4,033
Investment in Information Technology Purchased Services [d]	**—**	—
	11,329	11,350

All transactions with the joint ventures are in the normal course of operations and are measured at the agreed-upon exchange amounts.

Notes to financial statements

[in thousands of dollars]

March 31, 2023

[a] Western ProResp Inc.

Western ProResp Inc. was incorporated as a joint venture [“JV”] between the Centre and a third party for the purposes of providing home care services to clients in Middlesex and Elgin Counties. The Centre has a 50% interest in Western ProResp Inc. As at March 31, 2023, Western ProResp Inc. owed $383 [2022 – $383] to the Centre. This amount is included in patient and other accounts receivable.

[b] Healthcare Materials Management Services [“HMMS”]

HMMS is an unincorporated JV between the Centre and SJHC, created to consolidate purchasing, warehousing, distribution and payment processing functions and to provide similar services to other healthcare institutions. Operating costs are allocated to the Centre and SJHC based on a predetermined cost-sharing formula and expensed to operations as a purchased service. As at March 31, 2023, the Centre owed $32,466 [2022 – $16,913] to HMMS. This amount is included in accounts payable and accrued charges.

HMMS has bank credit facilities consisting of a $10,000 operating line of credit. The Joint Venture Agreement restricts each partner’s maximum credit liability based upon the partner’s utilization of the JV. As at March 31, 2023, the Centre had provided a guarantee for up to $8,170 in support of the $10,000 operating line of credit. In the event that HMMS is unable to fulfil its debt obligations, the Centre will be responsible for the guaranteed amount. As at March 31, 2023, HMMS had not drawn on its operating line of credit [2022 – nil].

[c] Pathology and Laboratory Medicine [“PaLM”]

The Centre and SJHC entered into an unincorporated JV to consolidate all laboratory services and provide all laboratory and pathology services to the Centre and SJHC in their delivery of patient care.

The services purchased from PaLM for the year ended March 31, 2023 were $38,358 [2022 – $25,266]. As at March 31, 2023, the Centre owed $1,649 [2022 – $1,700] to PaLM. This amount is included in accounts payable and accrued charges.

[d] Information Technology Purchased Services

Information Technology Purchased Services is an unincorporated JV established to develop and operate a shared electronic health information management system across the region. Purchased services include information systems related to electronic patient records, picture archiving and communication, and general ledger applications.

Information Technology Purchased Services relies on the Centre to provide payroll, facilities and other administrative support, and reimburses the Centre for costs incurred on its behalf. During the year, the Centre incurred total operating costs of $7,937 [2022 – $11,714] on behalf of Information Technology Purchased Services. As at March 31, 2023, Information Technology Purchased Services owed $1,153 [2022 – $310] to the Centre with respect to these costs. The Centre paid $403 [2022 – $1,846] to Information Technology Purchased Services for the Centre’s share of operating costs during the year.

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[in thousands of dollars]

March 31, 2023

The Centre's share of the joint ventures' assets, liabilities, operations and cash flows are as follows:

	2023		
	PaLM	Other	Total
	$	$	$
Centre's share of current year revenue	67,711	21,497	89,208
Centre's share of current year expenses	(69,103)	(21,515)	(90,618)
Centre's share of current year net loss	(1,392)	(18)	(1,410)
Centre's share of total assets	6,040	49,464	55,504
Centre's share of total liabilities	2,587	46,210	48,797
Centre's share of cash provided by operating activities	475	274	749
Centre's share of cash used in investing activities	(1,581)	(420)	(2,001)
Centre's share of cash provided by (used in) financing activities	92	(191)	(99)
Centre's share of cash used in operating, investing and financing activities	(1,014)	(337)	(1,351)

	2022		
	PaLM	Other	Total
	$	$	$
Centre's share of current year revenue	71,916	22,194	94,110
Centre's share of current year expenses	(73,398)	(22,306)	(95,704)
Centre's share of current year net loss	(1,482)	(112)	(1,594)
Centre's share of total assets	6,059	48,075	54,134
Centre's share of total liabilities	2,196	44,719	46,915
Centre's share of cash provided by (used in) operating activities	(11)	330	319
Centre's share of cash used in investing activities	(67)	(424)	(491)
Centre's share of cash provided by (used in) financing activities	(453)	522	69
Centre's share of cash provided by (used in) operating, investing and financing activities	(531)	428	(103)

Other includes Western ProResp Inc., HMMS and Information Technology Purchased Services.

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[in thousands of dollars]

March 31, 2023

18. Clinical education

The Centre provides education to medical students, residents and fellows, for which it receives funding from the MOH. Any unspent funds are returned to the MOH and any over-expenditure is the responsibility of the Centre. The total of revenue and expenses is included in the Centre's statement of operations.

During the year, the Clinical Education program incurred expenses and received funding from the MOH as follows:

	2023	**2022**
	$	$
Revenue	**72,479**	76,061
Expenses	**72,538**	76,109
Excess of expenses over revenue	**(59)**	(48)