Financial statements of
William Osler Health System

March 31, 2024

Deloitte.

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Independent Auditor’s Report

To the Board of Directors of
William Osler Health System

Opinion

We have audited the financial statements of William Osler Health System (the “Hospital”), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and changes in fund balance, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital 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 Hospital’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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital’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 Hospital’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 Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 29, 2024

William Osler Health System

Statement of financial position

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

	Notes	2024 $	2023 $
Assets			
Current assets			
Cash	4	**149,843**	153,754
Accounts receivable			
Ministry of Health and Ontario Health		**23,244**	27,833
Other		**31,694**	39,225
Contributions receivable	6	**22,591**	23,252
Derivative asset	10	**201**	47
Inventories		**12,162**	12,641
Prepaid expenses and deposits		**10,752**	9,828
		250,487	266,580
Contributions receivable	6	**418,446**	441,037
Restricted cash and investments	7	**67,505**	63,758
Prepaid expenses and deposits	12	**16,240**	17,135
Investment in joint ventures	8	**2,448**	2,280
Capital assets	9	**1,062,595**	1,095,350
Derivative asset	10	**2,291**	918
		1,820,012	1,887,058
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	**246,543**	262,273
Deferred contributions		**8,853**	11,215
Capital lease obligations	12	**5,765**	6,684
Obligations – buildings	13	**27,063**	27,754
Non-revolving credit facility	10	**4,670**	4,506
		292,894	312,432
Contingencies and commitments	12, 19 and 20		
Employee future benefits	16	**44,195**	40,196
Capital lease obligations	12	**18,559**	22,371
Obligations – buildings	13	**508,457**	535,520
Non-revolving credit facility	10	**56,210**	60,880
Legal defence fund	19	**8,967**	9,428
Deferred capital contributions	15	**833,575**	855,270
Asset retirement obligation	24	**11,598**	10,771
		1,481,561	1,534,436
Fund balance		**43,065**	39,225
Accumulated remeasurement gains		**2,492**	965
		45,557	40,190
		1,820,012	1,887,058

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

Approved by the Board

______________________________, Director

Linda Franklin ______________________________, Director

William Osler Health System

Statement of operations and changes in fund balance

Year ended March 31, 2024

(In thousands of dollars)

	Notes	2024 $	2023 $
Revenue			
Ministry of Health and Ontario Health		**982,199**	859,092
Patient revenue		**100,162**	86,704
Other income		**38,179**	30,522
Amortization of deferred capital contributions – equipment	15	**7,289**	7,234
Amortization of deferred capital contributions – buildings	15	**31,400**	31,612
Funding of interest – buildings	13	**46,615**	43,486
		1,205,844	1,058,650
Expenses			
Salaries, wages and benefits	16	**750,731**	667,453
Medical, surgical supplies and drugs		**125,578**	105,306
Supplies and other expenses	19 and 24	**217,967**	178,146
Amortization of equipment		**20,871**	20,540
Amortization of buildings		**37,493**	37,355
Interest cost on buildings	13	**49,364**	46,188
		1,202,004	1,054,988
Excess of revenue over expenses		**3,840**	3,662
Fund balance, beginning of year		**39,225**	35,563
Fund balance, end of year		**43,065**	39,225

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

William Osler Health System
Statement of remeasurement gains and losses
Year ended March 31, 2024
(In thousands of dollars)

	2024 $	2023 $
Accumulated remeasurement gains (losses), beginning of year	**965**	(1,302)
Net remeasurement gains for the year	**1,527**	2,267
Accumulated remeasurement gains, end of year	**2,492**	965

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

William Osler Health System
Statement of cash flows
Year ended March 31, 2024
(In thousands of dollars)

	Notes	2024 $	2023 $
Operating activities			
Excess of revenues over expenses for the year		**3,840**	3,662
Items not affecting cash			
Joint venture – equity recorded	8	**(168)**	(173)
Amortization of deferred capital contributions	15	**(38,689)**	(38,846)
Amortization of capital assets		**58,364**	57,895
Increase in employee future benefits		**3,999**	2,312
Legal defence fund obligation		**(461)**	(814)
Net change in non-cash working capital	17	**(6,417)**	32,696
		20,468	56,732
Capital activities			
Purchase of capital assets, net of disposals	9	**(25,609)**	(36,848)
Contributions received	6	**23,252**	25,431
Deferred capital contributions received, net of disposals	15	**19,347**	15,391
Asset retirement obligation	24	**827**	91
		17,817	4,065
Investing activity			
Investments restricted for Brampton Civic Hospital ("BCH") and Peel Memorial Centre for Integrated Health and Wellness ("PMC")	7	**(2,720)**	77
Financing activities			
Osler's share of BCH and PMC financing	15	**(4,894)**	(4,707)
Net decrease in long term prepaid expenses and deposits		**895**	1,473
Net change in capital leases and building obligations		**(32,485)**	(30,544)
Repayment of revolving credit facility	10	**—**	—
Repayment of non-revolving credit facility	10	**(4,506)**	(4,345)
Net contribution to legal defence fund	7	**(1,027)**	(1,328)
Interest earned on redevelopment funds	15	**2,541**	(180)
		(39,476)	(39,631)
Net change in cash during the year		**(3,911)**	21,243
Cash, beginning of year		**153,754**	132,511
Cash, end of year		**149,843**	153,754

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

1. Operations

William Osler Health System ("Osler") provides healthcare services to Brampton, Etobicoke, and surrounding areas. These services are provided through Etobicoke General Hospital ("EGH"), Brampton Civic Hospital ("BCH"), Peel Memorial Centre for Integrated Health and Wellness ("PMC") and several satellite sites. Osler is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

Osler is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the Ministry of Health (the "Ministry") and Ontario Health ("OH"). Osler has entered into a Hospital Service Accountability Agreement ("H-SAA") with OH that sets out the obligations as well as the minimum performance standards that must be met by Osler.

Any excess of revenue over expenses with respect to base funding during a fiscal year is not required to be returned. However, if Osler does not meet its performance standards or obligations under the H-SAA, OH has the right to adjust funding received by Osler. Osler accrues for known clawback amounts. As at March 31, 2024, management is of the opinion that Osler is in compliance with the obligations and minimum performance standards under the H-SAA.

2. Significant accounting policies

Basis of presentation

Management has prepared these financial statements in accordance with Canadian public sector accounting standards including the 4200 series of standards as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

These financial statements do not include the assets, liabilities, or operations of William Osler Health System Foundation (the "Foundation") or William Osler Health System Volunteers Association, as the respective organizations are not controlled by Osler, maintain their own accounts and report separately from Osler to their own governing bodies (Note 18).

Revenue recognition

Osler follows the deferral method of accounting for restricted contributions, whereby restricted contributions are recognized as revenue in the same period in which the related expenses are incurred.

Under the Health Insurance Act (Ontario) and the regulations thereunder, Osler is ultimately funded by the Province of Ontario in accordance with funding arrangements established by the Ministry. Grants and funding authorized by the Ministry/OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process and could differ from these estimates.

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

2. Significant accounting policies (continued)

Revenue recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions and investment income restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

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.

Financial instruments

All financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value, cost or amortized cost based on the characteristics of the instrument and Osler's accounting policy choices.

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

Cash	Amortized cost
Restricted cash and investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Derivative liability	Fair value
Non-revolving credit facility	Amortized cost

Financial instruments measured at fair value are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and changes in fund balance. Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized into the statement of operations and changes in fund balance. On sale or disposal, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations and changes in fund balance.

Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write down being recognized in the statement of operations and changes in fund balances.

Contributed materials and services

A substantial number of volunteers contribute significant time each year to Osler. Due to the difficulty of determining the fair value, these contributed services are not recognized in the financial statements. Contributed materials are recorded, when received, at fair value.

2. Significant accounting policies (continued)

Joint ventures

Investments in jointly controlled entities are accounted for using the modified equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize Osler's share of the jointly controlled entity's net surplus or deficit for its fiscal year ending within Osler's fiscal year. Any distributions received are accounted for as a reduction in the investment.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the average weighted cost method.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of acquisition. Expenditures for new facilities or expenditures that substantially increase the useful lives of existing capital assets are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Land improvements	2% – 10%
Buildings	2% – 20%
Equipment	4% – 33%

Construction-in-progress represents expenditures incurred for projects currently underway. Upon completion, the related construction-in-progress will be transferred to the appropriate capital asset category and amortization will commence.

Osler reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of carrying value over its fair value.

Capital leases

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

Employee future benefits

Employees of Osler are eligible to be members of the Healthcare of Ontario Pension Plan, which is a multi-employer high five-year average pay contributory pension plan, and employees are entitled to certain other post-employment retirement benefits. Defined contribution plan accounting is applied to the multi-employer defined benefit plan whereby contributions are expensed when due.

Osler accrues its obligations under non-pension employee benefits as full-time employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions of retirement ages of employees and expected health care costs.

2. Significant accounting policies (continued)

Employee future benefits (continued)

Actuarial gains or losses are amortized over the average remaining service period of the active employees. The average remaining service period of active employees is 16 years. Future cost escalation affects the amount of employee future benefits. The accrued benefit obligation related to employee benefits is discounted using current interest rates based on management's best estimate in consultation with their actuary.

Adjustments arising from plan amendments are recognized in the year when the plan amendments occur.

Asset Retirement Obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Hospital's capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

(a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a capital asset;

(b) the past transaction or event giving rise to the liability has occurred;

(c) it is expected that future economic benefits will be given up; and

(d) a reasonable estimate of the amount can be made.

Liabilities are recognized by the Hospital in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of capital assets when those obligations result from the acquisition, construction, development, or normal operation of the capital assets. The obligations are measured initially at management's best estimate of the present value of the estimated future cash flows required to settle the retirement obligation. For capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related capital asset.

For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on the same basis as the related asset, and accretion expense is included in the Statement of operations and changes in fund balance.

2. Significant accounting policies (continued)

Public Private Partnerships

Public private partnership infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure.

Infrastructure, or a betterment to infrastructure, is recognized as an asset where, through the terms and economic substance of the public private partnership Osler controls:

a. the purpose and use of the infrastructure;
b. access to the future economic benefits and exposure to risks of the infrastructure asset; and
c. significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.

An infrastructure asset acquired in a private partnership arrangement is recorded at Osler's cost. Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset.

When Osler has recognized an infrastructure asset in relation to a public private partnership arrangement and has an obligation to provide consideration to the private sector partner, Osler recognizes a liability. The liability is initially measured at the cost of the infrastructure asset. Subsequent measurement of a financial liability is at amortized cost using the effective interest method. For a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 amount of revenues and expenses during the reporting period. Estimates are used when accounting for a number of items including, but not limited to provision for accounts receivable, amortization of capital assets, recognition of deferred revenue, recognition of certain revenues based on patient volumes, amortization of deferred capital contributions, recording of accrued liabilities, provisions for claims defence costs, provisions for employee benefits and market valuation of interest rate swaps. Actual results could differ from those estimates.

(In thousands of dollars)

3. Change in accounting policy

Effective April 1, 2023, Osler adopted PS 3160, Public Private Partnerships using the modified retroactive application method. Osler previously recorded the infrastructure assets and financial liabilities in accordance with PS 3160. As such, the adoption of this standard had no significant impact on the financial statements of Osler.

PS 3160 Public Private Partnerships establishes standards on how to account for public private partnership arrangements. Public private partnership infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure. An infrastructure asset acquired in a private partnership arrangement is recorded at the public sector entity's cost. The liability is initially measured at the cost of the infrastructure asset. Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset. Subsequent measurement of a financial liability should be at amortized cost using the effective interest method. For a performance obligation, revenue should be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

4. Cash

Under revised directions received from the Ministry in 2000 and 2001, Osler was required to plan for the redevelopment of facilities at EGH and PMC to meet the needs of the growing communities served by Osler. The following funds are externally restricted and internally allocated for these projects.

	2024	2023
	$	$
Ministry funding in excess of spending/ (spending in excess of funding) to date for redevelopment		
PMC	**5,577**	5,577
EGH	**(3,623)**	(3,623)
	1,954	1,954
Osler funds designated for redevelopment		
PMC	**235**	235
EGH	**24,170**	25,695
	24,405	25,930
Funds held for redevelopment	**26,359**	27,884
Funds available for operations	**123,484**	125,870
	149,843	153,754

5. Public Private Partnerships

(a) *Brampton Civic Hospital (BCH)*

In August 2003, Osler entered into a project agreement with The Healthcare Infrastructure Company of Canada ("THICC") to design, build, finance, and property manage BCH. The agreed upon services included facility design, construction, project financing, building maintenance, laundry, materials management, housekeeping, portering, food services, and security. Construction was completed in July 2007 and all services were transferred from Peel Memorial to BCH in October 2007.

Effective January 18, 2013 the terms of the project agreement were assigned to Fengate (WOHC).

Effective September 2016, Osler performed market comparison for the services included in the project agreement and, as a result, the following services were awarded to various other providers: laundry, housekeeping, portering and security.

Fengate is responsible for operating and maintaining the building and is granted access to the site for the purposes of fulfilling its obligations under the contract. At the end of the term, all assets under the project agreement will be transferred to Osler.

The project agreement includes provisions for early termination options available to both parties if either is in default of the agreement or due to a force majeure.

(b) *Peel Memorial Centre for Integrated Health and Wellness (PMC)*

On May 26, 2014, Osler entered into a financial arrangement with Plenary Health to design, build, finance and maintain PMC. Construction was completed in October 2016. The agreed upon services include facility design, construction project financing and building maintenance.

Plenary Health is responsible for operating and maintaining the building and is granted access to the site for the purposes of fulfilling its obligations under the contract. At the end of the term, all assets under the project agreement will be transferred to Osler.

The project agreement includes provisions for early termination options available to both parties if either is in default of the agreement, due to a relief event, or due to a force majeure. Osler also has the option to terminate for convenience at its own discretion.

(c) *Etobicoke General Hospital Step 1 Patient Tower*

On May 3, 2016, Osler entered into a financial arrangement with Etobicoke Healthcare Partnership to design, build, finance and maintain ("DBFM") the Etobicoke General Hospital Step 1 Patient Tower. Construction began in June 2016 and reached substantial completion in February 2019.

Etobicoke Healthcare Partnership is responsible for operating and maintaining the building and is granted access to the site for the purposes of fulfilling its obligations under the contract. At the end of the term, all assets under the project agreement will be transferred to Osler.

The project agreement includes provisions for early termination options available to both parties if either is in default of the agreement, due to a relief event, or due to a force majeure. Osler also has the option to terminate for convenience at its own discretion.

(d) Etobicoke Wellness Centre (EWC)

On April 25, 2016, Osler entered into a financial arrangement with EGH Health Partners Building Ltd to design, build, finance, and maintain Etobicoke Wellness Centre. Construction was completed in July 2018.

EGH Health Partners Building Ltd is granted access to the site for the purposes of fulfilling its obligations under the contract. At the end of the term, the facility will be transferred to Osler.

The agreement includes provisions for early termination options available to both parties if either is in default of the agreement or due to a force majeure. Osler also has the option to terminate for convenience at its own discretion.

6. Contributions receivable

(a) Brampton Civic Hospital

As part of the project funding agreement with the Ministry, Osler has made operating and capital financial commitments for BCH (Notes 12 and 13).

The Ministry has committed, over a 25-year period, to fund 91.05% of the BCH building capital cost base and related interest cost. In addition to its 8.95% share of the capital cost base, Osler will fund the entire cost of the parking facility. As part of its agreement with the Ministry, Osler is required to maintain a sinking fund, managed by a trust company (Note 7). Osler is required to hold all non-clinical ancillary revenues, including parking, in the sinking fund until the sinking fund is fully funded. To date, Osler's share of the commitments has been met through the sinking fund which is fully funded at March 31, 2024.

The capital cost base is calculated as shown below and has been discounted using an effective interest rate of 6.3% to match the obligation (Note 13).

(b) Peel Memorial Centre for Integrated Health and Wellness

As part of the project funding agreement with the Ministry, Osler has made operating and capital financial commitments for PMC (Notes 12 and 13).

The Ministry has committed, over a 30-year period, to fund 90.62% of the PMC building capital cost base and related interest cost. In addition to its 9.38% share of the capital cost base, Osler will fund the entire cost of the parking facility. As part of its agreement with the Ministry, Osler is required to maintain a sinking fund, managed by a trust company (Note 7). Osler is required to hold funds invested in the sinking fund equal to six months of Osler's share of future payments under the agreement. To date, Osler's share of the commitments has been met and the sinking fund is fully funded at March 31, 2024.

The capital cost base is calculated as shown below and has been discounted using an effective interest rate of 3.1% to match the obligation (Note 13).

(In thousands of dollars)

6. Contributions receivable (continued)

(c) Etobicoke General Hospital Step 1 Patient Tower

As part of the DBFM Agreement with the Ministry, Osler has made financial commitments for the Etobicoke General Hospital Step 1 Patient Tower (Notes 12 and 13). The Ministry has committed, over a 30-year period, to fund 90.27% of the Patient Tower building capital cost base and related interest cost.

The capital cost base is calculated as shown below and has been discounted using an effective interest rate of 4.6% to match the obligation (Note 13).

	BCH $	PMC $	EGH $
Original principal obligation	**550,409**	**289,920**	**217,433**
Harmonized Sales Tax	**10,053**	**5,362**	**4,109**
Osler's 100% share of construction cost of parking facility	**(38,828)**	**(21,994)**	**—**
Capital cost base	**521,634**	**273,288**	**221,542**
Funded as follows			
Ministry	**474,948**	**247,654**	**199,835**
Osler	**46,686**	**25,634**	**21,707**
	521,634	**273,288**	**221,542**

The contributions receivable for BCH are accreted using an interest rate of 6.3%, resulting in interest income being recognized of $28,189 ($25,426 in 2023), which represents the Ministry's share of the interest expense attributable to the obligation (Note 13).

The contributions receivable for PMC are accreted using an interest rate of 3.1%, resulting in interest income being recognized of $7,340 ($7,136 in 2023), which represents the Ministry's share of the interest expense attributable to the obligation (Note 13).

The contributions receivable for EGH are accreted using an interest rate of 4.6% resulting in an interest income being recognized of $4,682 ($4,737 in 2023), which represents the Ministry's share of the capitalized interest and of the interest expense attributable to the obligation (Note 13).

The following is a continuity schedule of the contributions receivable from the Ministry:

	2024 $	2023 $
Amount receivable, beginning of year	**464,289**	489,720
Contributions received during year	**(23,252)**	(25,431)
Amount receivable, end of year	**441,037**	464,289
Current portion	**22,591**	23,252
Long-term portion	**418,446**	441,037
	441,037	464,289

(In thousands of dollars)

7. Restricted cash and investments

	2024	2023
	$	$
Legal defence fund	**15,843**	14,816
Sinking fund	**51,662**	48,942
	67,505	63,758

Effective January 1, 2012, Osler entered into an agreement with Health Care Insurance Reciprocal of Canada ("HIROC") whereby the cost of investigating and defending any litigation claims are borne by Osler. To fund the expected payments, Osler transfers funds to an operating account managed by HIROC Management Limited ("HML") as Osler's appointed agent. The cash and investment balance is $15,843 ($14,816 in 2023).

Osler's sinking fund is held in trust by a custodian and managed under the direction of an investment manager. Investment income of $2,541 (investment loss of $180 in 2023) was incurred in the year and is included in deferred capital contributions on the statement of financial position. The investments are recorded at fair value and the components are as follows:

		2024
	Fair value	Cost
	$	$
Cash and cash equivalents	**21**	**21**
Bonds and mortgages	**40,616**	**41,005**
Equities	**11,025**	**6,377**
	51,662	**47,403**

		2023
	Fair value	Cost
	$	$
Cash and cash equivalents	14	14
Bonds and mortgages	39,583	40,862
Equities	9,345	6,043
	48,942	46,919

8. Investment in joint ventures

Osler has a 50% interest in the William Osler ProResp Inc. joint venture. Osler's share of the net surplus in William Osler ProResp Inc. for the fiscal year of $176 ($181 in 2023) has been included in other income on the statement of operations and changes in fund balance. Dividends received of $8 ($8 in 2023) have been accounted for as a reduction in the cost of the investment.

Management fees were earned by Osler from William Osler ProResp Inc. in the amount of $265 ($265 in 2023) and have been included in other income and accounts receivable – other as at March 31, 2024.

(In thousands of dollars)

9. Capital assets

	Cost $	Accumulated amortization $	2024 Net book value $	2023 Net book value $
Land	**20,510**	**—**	**20,510**	20,510
Land improvements	**6,860**	**4,765**	**2,095**	2,280
Buildings	**1,380,401**	**447,334**	**933,067**	964,585
Equipment	**445,137**	**360,148**	**84,989**	91,451
Construction-in-progress	**21,934**	**—**	**21,934**	16,524
	1,874,842	**812,247**	**1,062,595**	1,095,350

Buildings include existing building service equipment and leasehold improvements. During the year, capital assets and equipment were acquired at an aggregate cost of $25,609 net of disposals ($36,848 in 2023).

10. Credit facilities and derivative asset

Osler has available unsecured credit facilities of $35,000 ($35,000 in 2023). These facilities bear interest at prime, of which $0 is outstanding at March 31, 2024 (nil in 2023). Osler also has the availability of a revolving lease line of credit of $5,000 and a revolving demand facility by way of letters of credit and letters of guarantee of $5,000, bearing interest at 0.85% per annum. These facilities have not been drawn upon as at March 31, 2024.

In fiscal 2015, Osler provided the Corporation of the City of Brampton a letter of credit in the amount of $1,419 for indemnity towards certain construction at the site of PMC. The balance on this letter of credit as at March 31, 2024 is $0 ($139 in 2023), and $139 was drawn on the instrument as at March 31, 2024.

In fiscal 2016, Osler provided Alectra Utilities Corp., formerly Hydro One Brampton Networks Inc., ("Alectra"), a letter of credit in the amount of $618 for indemnity towards certain construction at the site of PMC. The balance on this letter of credit as at March 31, 2024 is $618 ($618 in 2023), and no amounts were drawn on the instrument as at March 31, 2024.

In fiscal 2017, Osler provided City of Toronto a letter of credit in the amount of $586 for indemnity towards certain construction at the EGH site. The balance on this letter of credit as at March 31, 2024 is $100 ($200 in 2023), and $100 was drawn on the instrument as at March 31, 2024.

Credit facilities are comprised of committed non-revolving credit facilities and are reflected as a liability on the statement of financial position as follows:

	2024 $	2023 $
Credit facilities		
Facility 1 – Non-revolving credit facility (a)	**26,529**	29,234
Facility 2 – Non-revolving credit facility (b)	**34,351**	36,152
	60,880	65,386
Less: current portion	**(4,670)**	(4,506)
	56,210	60,880

(In thousands of dollars)

10. Credit facilities and derivative asset (continued)

Facility 5 – a treasury risk management facility is comprised of interest rate swaps. The fair value of the interest rate swaps was calculated using the discounted cash flow method and is reflected as a derivative asset on the statement of financial position as follows:

	2024	2023
	$	$
Facility 5 – Derivative liability (asset) (c)		
Interest rate swap on		
Facility 1 – Non-revolving credit facility	**(267)**	332
Interest rate swap on		
Facility 2 – Non-revolving credit facility	**(2,225)**	(1,297)
	(2,492)	(965)
Less: current portion	**(201)**	(47)
	(2,291)	(918)

On May 26, 2014 as part of the PMC and EGH redevelopment projects, Osler entered into an agreement with the Bank of Montreal ("BMO") to establish the following:

(a) Facility 1 – a committed non-revolving credit facility with a maximum principal amount not to exceed $53,000 for the purpose of financing a portion of the PMC redevelopment project. This facility bears interest at the Canadian Dealer Offered Rate ("CDOR") plus 0.34%. At March 31, 2024, the outstanding principle balance is $26,529 ($29,234 in 2023).

(b) Facility 2 – a committed non-revolving credit facility with a maximum principal amount not to exceed $44,000 for the purpose of financing a portion of the EGH redevelopment project. This facility bears interest at the CDOR plus 0.34%. At March 31, 2024, the outstanding principle balance is $34,351 ($36,152 in 2023).

On July 7, 2017, the agreement was amended to transfer the unutilized credit of $9,574 from Facility 1 to Facility 2 to provide a maximum principal amount not to exceed $53,574.

(c) Facility 5 – a treasury risk management facility to enable hedging of interest rate risk in connection to Facilities 1, 2 or 6.

Osler is exposed to interest rate cash flow risk with respect to its floating rate debt and has endeavored to mitigate this risk by entering into an interest rate swap that fixes the rate over the term of the debt for Facility 1 at 3.911%. At March 31, 2024, the fair value of the interest rate swap agreement resulted in an asset of $267 ($332 in 2023).

Osler is exposed to interest rate cash flow risk with respect to its floating rate debt and has endeavored to mitigate this risk by entering into an interest rate swap that fixes the rate over the term of the debt for Facility 2 at 3.16%. At March 31, 2024, the fair value of the interest rate swap agreement resulted in an asset of $2,225 ($1,297 in 2023).

(In thousands of dollars)

11. Accounts payable and accrued liabilities

	2024	2023
	$	$
Accounts payable	**72,596**	70,791
Accounts payable – Ministry	**55,277**	81,680
Accrued liabilities		
Salaries, wages and employee benefits	**111,079**	103,579
Other	**7,591**	6,223
	246,543	262,273

12. Capital lease obligations, operating commitments, prepaid expenses and deposits

Osler has entered into various capital lease obligations for computer and medical equipment. The effective interest rate of the capital leases ranges from 0.38% to 6.02%.

	Capital equipment leases
	$
2025	6,412
2026	5,304
2027	4,316
2028	3,047
2029	2,357
and thereafter	4,839
	26,275
Less: amount representing interest	1,951
	24,324
Less: current portion	5,765
Long-term portion	18,559

Operating commitments include payments related to operational and maintenance services at BCH, PMC, EGH and Etobicoke Wellness Centre ("EWC"). The future minimum annual payments consist of the following:

	Operating commitments
	$
2025	54,657
2026	47,316
2027	42,858
2028	42,814
2029	43,277
and thereafter	287,084
	518,006

(In thousands of dollars)

12. Capital lease obligations, operating commitments, prepaid expenses and deposits (continued)

Effective May 1, 2015, Osler entered into a Managed Equipment Services agreement (the "MES agreement") with Siemens Canada Limited ("Siemens") to provide Osler with access to technology, equipment and infrastructure for a variety of diagnostic equipment for a period of 15 years. Under the terms of the MES agreement, Siemens will provide services related to the procurement, installation, and commissioning of capital assets in accordance with an Equipment Replacement Plan as well as the maintenance, training and on-site technical support services for the equipment acquired as part of the agreement. As equipment is acquired, it is accounted for as capital leases and is included in capital assets (Note 9) and capital lease obligations. Maintenance, training and support service costs are expensed as incurred and are included in the statement of operations and changes in fund balance. Due to the timing of service payments, payments made in advance of capital purchases and scheduled maintenance are recorded as prepaid expenses and deposits in the statement of financial position.

Future annual services payments related to the MES agreement consist of the following:

	Capital expenditures $	Operating commitments $	Annual service payments $
2025	1,167	6,591	7,758
2026	1,577	6,854	8,431
2027	2,545	6,653	9,198
2028	4,427	6,013	10,440
2029	5,009	6,447	11,456
2030 and thereafter	32,544	4,828	37,372
	47,269	37,386	84,655
Less: amount representing interest	2,194		
	45,075		

13. Obligations – buildings

The long-term obligations related to BCH, PMC, EGH and EWC require annual payments as follows:

	$
2024	60,906
2025	60,444
2026	64,535
2027	66,725
2028	68,328
and thereafter	515,205
	836,143
Amount representing interest	(300,623)
	535,520
Less: current portion	27,063
Long-term portion	508,457

(In thousands of dollars)

13. Obligations – buildings (continued)

The obligations are anticipated to be funded through a combination of Ministry grants (Note 6), a municipal grant, Foundation grants, hospital funds, and income arising from contractual rights (Note 14).

Interest on the long-term obligations and on the non-revolving credit facilities (Note 10) included in the statement of operations and changes in fund balance for BCH was $31,911 ($28,984 in 2023) for PMC was $8,512 ($8,285 in 2023), for EGH was $5,806 ($5,832 in 2023), and for EWC was $3,135 ($3,087 in 2023). These amounts were funded as follows:

	2024	2023
	$	$
Ministry's share	**40,211**	37,299
Osler's share, funded through other income	**1,510**	1,480
Osler's share, funded through amortization of deferred capital contributions	**4,894**	4,707
	46,615	43,486

14. Contractual rights

Osler has entered into various agreements giving rise to contractual rights to receive payments for subleased space at the EWC and income from other retail facilities at BCH and EGH. Future annual payments consist of the following:

	Contractual rights
	$
2025	2,449
2026	2,248
2027	2,249
2028	2,207
2029	1,382
and thereafter	4,384
	14,919

15. Deferred capital contributions

Deferred capital contributions represent the unamortized contributions and donations, which have been or will be expended on capital assets. Amortization of these contributions is recorded as revenues in the statement of operations and changes in fund balance, on a straight-line basis, at a rate corresponding with the amortization rate of the related capital asset.

(In thousands of dollars)

15. Deferred capital contributions (continued)

	2024 $	2023 $
Deferred capital contributions		
Balance, beginning of year	**855,270**	883,612
Contributions received during the year, net of disposals	**19,347**	15,391
Interest earned	**2,541**	(180)
Less:		
Amounts amortized to revenue		
Equipment	**(7,289)**	(7,234)
Buildings	**(31,400)**	(31,612)
Funding of Osler's share of BCH and PMC financing costs	**(4,894)**	(4,707)
Balance, end of year	**833,575**	855,270

During the year, Osler recorded contributions of $12,284 ($7,586 in 2023) from the Ministry, $7,082 ($7,805 in 2023) from the Foundation, and $59 (nil in 2023) from other sources, net of disposals of $78 (nil in 2023).

16. Pension plan and other employee future benefits

Pension plan

Employees of Osler are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). Contributions made to the Plan during the year by Osler of $40,671 ($32,890 in 2023) are included in the salaries, wages and benefits expense in the statement of operations and changes in fund balance.

Employee future benefits

Employees of Osler are entitled to certain post-employment benefits. Osler recognizes the present value of its obligation from these benefits as they are earned.

(In thousands of dollars)

16. Pension plan and other employee future benefits (continued)

Employee future benefits (continued)

An actuarial valuation was completed as at March 31, 2024. Both pension plan and employee future benefits are included in salaries, wages and benefit expenses on the statement of operations and changes in fund balance.

Change in employee future benefits obligation		
Employee future benefits obligation, beginning of year	**47,694**	39,482
Plan amendment	**—**	—
Current service cost	**4,189**	2,880
Interest cost	**2,256**	1,524
Actuarial (loss) gain	**(891)**	5,747
Benefits paid	**(3,520)**	(2,374)
Employee future benefits obligation, end of year	**49,728**	47,259
Unamortized actuarial losses	**(5,533)**	(7,063)
Employee future benefits liability, end of year	**44,195**	40,196
Plan expense		
Current service cost	**4,189**	2,880
Prior service cost incurred in the period	**434**	—
Interest cost	**2,256**	1,524
Amortization of actuarial losses	**641**	281
Net benefit expense	**7,520**	4,685

(In thousands of dollars)

16. Pension plan and other employee future benefits (continued)

Employee future benefits (continued)

The significant actuarial assumptions adopted in estimating Osler's accrued benefit obligation are of a long-term nature consistent with the nature of employee future benefits, as follows:

	2024	2023
Discount rate for accrued benefit obligation, end of period (%)	**4.50%**	3.70%
Discount rate for net benefit cost, current period (%)	**4.70%**	4.50%
Dental benefits cost escalation (%)	**5.0% in 2024, decreasing to an ultimate rate of 3.57% per annum**	5.0% in 2023, decreasing to an ultimate rate of 3.57% per annum
Medical benefits costs escalation, extended health care	**5.60% in 2024, decreasing to an ultimate rate of 3.57% per annum**	5.60% in 2023, decreasing to an ultimate rate of 3.57% per annum
Average remaining service period of active employees to retirement who are expected to receive benefits under the benefit plan (years)	**16**	16
Average remaining service period of active employees to full eligibility who are expected to receive benefits under the benefit plan (years)	**16**	16

17. Net change in non-cash working capital items

	2024	2023
	$	$
Accounts receivable – Ministry of Health and Ontario Health	**4,589**	4,032
Accounts receivable – other	**7,531**	(11,629)
Inventories	**479**	(247)
Current portion of prepaid expenses and deposits	**(924)**	(780)
Deferred contributions	**(2,362)**	(252)
Accounts payable and accrued liabilities	**(15,730)**	41,572
	(6,417)	32,696

18. Related entities

(a) The Foundation, an independent non-profit organization, raises funds for Osler for use in acquiring capital equipment, renovations, and operations. Osler is considered related to the Foundation as the Foundation raises funds and holds resources solely for the benefit of Osler. The Foundation's contributions towards building and equipment were $1,026 ($705 in 2023) for BCH, $1,235 ($2,031 in 2023) for PMC, $1,521 ($1,705 in 2023) for EGH, $3,300 for corporate initiatives ($3,364 in 2023) and $939 ($759 in 2023) to support operating expenditures during the fiscal year. Included in accounts receivable – other as at March 31, 2024 is $211 ($203 in 2023) due from the Foundation.

(b) The William Osler Volunteers Association (the "Volunteers") is an independent non-profit organization that raises funds in support of Osler and provides volunteer services at its hospitals. Osler is considered related to the Volunteers as the Volunteers provide support solely for the benefit of Osler. Included in accounts receivable – other as at March 31, 2024 is $33 ($52 in 2023) due from the Volunteers.

(c) In conjunction with two other hospitals, Osler is a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West ("SSW"). SSW is a non-profit corporation, administered by a board of directors, which includes representation from each of the three member hospitals. SSW provides purchasing, contract management and logistics services to Osler. In fiscal 2024, Osler paid membership fees to SSW in the amount of $2,626 ($2,549 in 2023). During the year, Osler paid an additional $51 ($173 in 2023) to SSW for other services. As at March 31, 2024, the net balance was a payable to SSW of $764 ($138 in 2023). Effective April 1, 2024, SSW will be acquired by Mohawk Medbuy Corporation (MMC) and will transfer substantially all its assets and liabilities to MMC. Osler's current services agreement with SSW will terminate and will be replaced with a new agreement with MMC. All services currently being received from SSW will continue and will be provided by MMC.

19. Liability insurance and contingencies

A group of hospitals, including Osler, are members of HIROC. HIROC is a pooling of liability insurance risks of its members. All members of the pool pay annual deposit premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for the experience of gains and losses, by the pool, for the years in which Osler was a member. During fiscal 2024, no negative assessments (none in 2023) have been received.

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

From time to time, Osler is named in lawsuits related to its activities. It is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to Osler. Accordingly, no provision has been made for loss in these financial statements.
In management's view, these claims should not have a material adverse effect on the financial position of Osler.

19. Liability insurance and contingencies (continued)

Osler entered into an agreement with HIROC whereby HIROC will provide indemnity insurance, however the cost of investigating and defending any litigation claims would be borne by Osler. Osler has appointed HIROC Management Limited to act as agent for Osler for such claims defence costs in accordance with an Agency Agreement. Costs associated with claims arising prior to January 1, 2012 will be borne by HIROC. Costs of defending claims that arise subsequent to January 1, 2012 are based on claims defence costs incurred by HIROC in the past. For the year ended March 31, 2024, a provision of $1,663 ($829 in 2023) for the defence costs of such claims is included as supplies and other expenses in the statement of operations and changes in fund balance.

20. Guarantees

In the normal course of business, Osler has entered into agreements that meet the definition of a guarantee and may include indemnities in favour of third parties. Osler's primary guarantees are as follows:

(a) Indemnity has been provided to all directors and officers of Osler for various items including, but not limited to, all costs to settle suits or actions due to association with Osler, subject to certain restrictions. Osler has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of Osler. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) In the normal course of business, Osler has entered into agreements that include indemnities in favour of third parties. These indemnification agreements may require Osler to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The nature of these indemnification agreements prevents Osler from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the uncertainty of amounts owed to counterparties. Historically, Osler has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

(In thousands of dollars)

21. Diabetes Satellite Programs

In accordance with the Ministry Memorandum dated August 9, 2014, the information below reflects the revenues and eligible expenditures for the Diabetes Satellite Programs for the fiscal year.

	2024 Adult Diabetes $	**2024** Pediatric Education $	2023 Adult Diabetes $	2023 Pediatric Education $
Revenue				
Ontario Health	**1,027**	**250**	1,027	250
Other income	**—**	**—**	—	—
	1,027	**250**	1,027	250
Expenditures				
Salaries, wages and benefits	**1,289**	**250**	1,243	250
Supplies and other (including purchased services)	**13**	**—**	27	—
	1,302	**250**	1,270	250
Excess of expenditures over revenue for the year	**(275)**	**—**	(243)	—

22. Ontario Health Team

Osler is a member of a network of health service providers participating in the Central West Ontario Health Team ("CW OHT"). During the year, Osler received $750 ($750 in 2023) under a Transfer Payment Agreement with OH as the fundholder for the CW OHT. Reflected in the statement of operations and changes in fund balance are salaries, wages, and benefits of $554 ($795 in 2023) and supplies and other expenses of $197($303 in 2023) related to the activities of the CW OHT.

23. Financial instruments

Risks arising from financial instruments and risk management

Osler is exposed to a variety of financial risks including market and credit risk. Osler's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Osler's financial performance. Osler is exposed to interest rate risk and market risk with regard to its long-term investments, which is minimized due to a conservative investment policy that has been approved by the Ministry.

Credit risk

Credit risk arises from cash and investments held with financial institutions and credit exposures to patients on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit rating agencies minimizing any potential exposure to credit risk. Osler assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

(In thousands of dollars)

23. Financial instruments (continued)

Liquidity risk

Liquidity risk results from Osler's potential inability to meet its obligations associated with the financial liabilities as they become due. Osler monitors its operations and cash flows to ensure current and future obligations will be met. Osler believes its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

Establishing fair value

The carrying value of cash, accounts receivable, long-term receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments. The fair value of long-term debt is not materially different from its carrying values as it bears interest at variable rates and has financing conditions similar to these currently available to Osler.

The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability. Unless otherwise noted, it is management's opinion that Osler is not subject to significant interest or currency risk arising from these instruments.

The fair value of the interest rate swaps are determined using the discounted cash flow method.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include 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 market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Fair value hierarchy

The following table presents the financial instruments recorded at fair value in the statement of financial position, classified using the fair value hierarchy:

	Level 1 $	Level 2 $	Level 3 $	2024 Total $
Financial instruments at fair value as at				
Investments – sinking fund	**51,662**	**—**	**—**	**51,662**
Derivative asset	**—**	**2,492**	**—**	**2,492**
Cash held in trust	**15,843**	**—**	**—**	**15,843**
	67,505	**2,492**	**—**	**69,997**

(In thousands of dollars)

23. Financial instruments (continued)

Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	2023 Total
	$	$	$	$
Financial instruments at fair value as at				
Investments – sinking fund	48,942	—	—	48,942
Derivative asset	—	965	—	965
Cash held in trust	14,816	—	—	14,816
	63,758	965	—	64,723

There have been no movements between levels during the year.

Market risk

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

(a) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Osler is exposed to interest rate risk on its credit facilities. For its credit facilities, Osler has entered into interest rate swap agreements in order to manage the impact of fluctuating interest rates. Osler's policy is not to utilize derivative instruments for trading or speculative purposes. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the credit facilities.

(b) Equity risk

Equity risk is the risk that the fair value of equity investments will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

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

24. Asset retirement obligation

Asbestos

The Hospital has a number of buildings containing asbestos requiring remediation upon decommissioning. The Canadian Environmental Protection Act (CEPA) governs the protection of the environment and human health with respect the hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the "Prohibition of Asbestos and Products Containing Asbestos Regulations" which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

(In thousands of dollars)

24. Asset retirement obligation (continued)

Petroleum Storage Tanks

In accordance with the Technical Standards and Safety Act and other applicable regulations, the Technical Standards & Safety Authority ("TSSA") regulates the transportation, storage, handling and use of fuels in Ontario. Regulations require underground fuel tanks to be registered with the TSSA, and establish requirements for regular inspections, and for the abandonment and decommissioning of underground storage tanks. When an underground fuel tank is no longer in use, the removal must be performed by a qualified TSSA-registered contractor. The TSSA's regulations for underground fuel tanks clearly specify the requirements to decommission the tanks at the end of their useful lives, which would indicate that future economic benefits will be given up by the Hospital, therefore resulting in an asset retirement obligation (ARO).

The estimated liability is the present value of the estimated future cash flows required to settle the ARO. It is estimated to be $11,598 ($10,771 in 2023).

A reconciliation of the beginning and ending aggregate carrying amount of the liability is as follows:

	2024	2023
	$	$
Balance, beginning of year	**(10,771)**	(10,680)
Changes during the year		
Estimated liabilities incurred	**(728)**	—
Accretion expense	**(99)**	(91)
Balance, end of year	**(11,598)**	(10,771)