

Humber River Hospital
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of Humber River Hospital

Opinion

We have audited the financial statements of Humber River Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2020, and the statements of remeasurement losses, operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and its financial performance 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 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 these 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 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.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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.


BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 16, 2020

Humber River Hospital
Statement of Financial Position

	March 31, 2020 \$	March 31, 2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	27,639,308	21,333,518
Restricted cash and investments [note 2]	52,531,803	35,738,711
Accounts receivable [note 4]	25,943,351	17,206,432
Inventory	3,374,384	2,675,088
Prepaid expenses	3,549,822	3,259,927
Current portion of long-term receivable [note 5]	8,800,302	8,243,173
Total current assets	121,838,970	88,456,849
Long-term receivable [note 5]	531,911,544	539,843,124
Capital assets [note 6]	1,311,553,712	1,335,368,594
	1,965,304,226	1,963,668,567
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities [note 7]	99,237,463	70,202,806
Current portion of long-term debt [note 14]	12,853,935	4,087,935
Current portion of MES lease obligation [note 9]	8,184,596	7,391,587
Current portion of long-term payable [note 8]	8,800,302	8,243,173
Legal defense fund [note 13(ii)]	4,112,000	3,754,000
Total current liabilities	133,188,296	93,679,501
Long-term debt [note 14]	137,161,150	149,977,750
Post-employment benefits [note 10]	7,961,300	8,030,600
MES lease obligation [note 9]	15,402,456	23,285,954
Long-term payable [note 8]	554,948,659	572,533,835
Interest rate swaps [note 14]	22,632,212	8,841,555
Deferred capital contributions [note 11b]	1,107,458,568	1,109,832,675
Total liabilities	1,978,752,641	1,966,181,870
Commitments and contingencies [note 13]		
Net assets	9,183,797	6,328,252
Accumulated remeasurement losses	(22,632,212)	(8,841,555)
	(13,448,415)	(2,513,303)
	1,965,304,226	1,963,668,567

On behalf of the Board:

 Trustee

 Trustee

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

Humber River Hospital
Statement of Remeasurement Losses

For the year ended March 31	2020	2019
	\$	\$
Accumulated remeasurement losses, beginning of year	(8,841,555)	(4,275,859)
Unrealized losses attributable to derivative interest rate swaps	(13,790,657)	(4,565,696)
Net remeasurement losses for the year	(13,790,657)	(4,565,696)
Accumulated remeasurement losses, end of year	(22,632,212)	(8,841,555)

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

Humber River Hospital
Statement of Operations and Changes in Net Assets

For the year ended March 31	2020	2019
	\$	\$
REVENUE		
Ministry of Health and Central Local Health Integrated Network	473,828,062	445,914,775
Patient services	35,676,992	31,962,903
Ancillary and other	18,733,252	17,551,139
Amortization of deferred capital contributions - equipment	10,074,949	8,211,196
	538,313,255	503,640,013
EXPENSES		
Salaries, wages and benefits	349,914,685	332,610,626
Medical and surgical supplies	34,344,972	33,767,547
Drugs and gases	25,191,595	19,992,893
Supplies and other expenses	92,650,724	85,470,529
Specifically funded programs	12,375,309	8,018,663
Amortization - equipment	22,757,374	20,566,402
	537,234,659	500,426,660
Excess of revenue over expenses for the year before building interest and amortization	1,078,596	3,213,353
Revenue allocated to buildings	13,038,619	12,088,801
Building amortization and interest, net [note 11a]	(6,693,134)	(6,008,923)
Interest on long-term debt	(4,568,536)	(4,801,254)
Excess of revenue over expenses for the year	2,855,545	4,491,977
Net assets, beginning of year	6,328,252	1,836,275
Net assets, end of year	9,183,797	6,328,252

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

Humber River Hospital
Statement of Cash Flows

For the year ended March 31	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	2,855,545	4,491,977
Add (deduct) items not requiring cash		
Amortization	63,350,376	58,762,293
Amortization of deferred capital contributions	(43,974,805)	(40,398,164)
Amortization of deferred financing fee	37,335	37,333
	22,268,451	22,893,439
Net change in non-cash working capital balances related to operations [note 15]	19,666,547	1,197,731
Accrual for post-employment benefits	(69,300)	(94,200)
Cash provided by operating activities	41,865,698	23,996,970
FINANCING AND CAPITAL ACTIVITIES		
Deferred capital contributions received	41,600,698	21,590,717
Repayment of long-term debt	(4,087,935)	(3,997,935)
Purchase of capital assets	(39,535,494)	(43,784,787)
Decrease in long-term receivable	7,374,451	6,851,911
Decrease in long-term payable	(17,028,047)	(10,316,796)
Payments on MES lease obligation	(7,090,489)	(6,928,191)
Cash used in financing and capital activities	(18,766,816)	(15,951,489)
INVESTING ACTIVITIES		
Increase in investments	(16,793,092)	(2,890,237)
Cash used in investing activities	(16,793,092)	(2,890,237)
Net increase (decrease) in cash during the year	6,305,790	(5,155,244)
Cash and cash equivalents, beginning of year	21,333,518	16,178,274
Cash and cash equivalents, end of year	27,639,308	21,333,518

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

Humber River Hospital

Notes to Financial Statements

For the year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Nature and purpose of organization

Humber River Hospital [the "Hospital"] is incorporated without share capital under the Corporations Act (Ontario). The Hospital provides a full range of secondary level care and selected regional services principally to the residents of northwest Toronto.

The Hospital is a charitable organization registered under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes. In order to maintain its status as an organization registered under the Act, the Hospital must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

These financial statements do not include the activities of the following non-controlled affiliated entities [note 12]:

- Humber River Hospital Foundation (The Foundation)
- Humber River Hospital Volunteer Association (The Volunteer Association)

Cash and cash equivalents

Cash and cash equivalents consist of bank accounts and term deposits held at a chartered bank. The Hospital considers all highly liquid investments that are cashable within 90 days to be cash equivalents. As at March 31, 2020, cash equivalents includes one term deposit of \$10,750,000 (2019 - \$10,750,000) with a maturity date of May 26, 2020 and earns interest at 2.00% (2019 – 2.00%).

These cash equivalents consist of term deposits that are recorded at fair value, which is considered to be cost plus accrued interest.

Inventory

Inventory is valued at the lower of cost which is recorded on the first in first out basis, and net realizable value. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Humber River Hospital

Notes to Financial Statements

For the year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition. Amortization of buildings, service equipment and equipment is provided on a straight-line basis over the assets estimated useful lives at the rates indicated as follows:

Buildings and building service equipment	2% to 20%
Equipment	5% to 33%

MES capital lease

The Hospital entered into an agreement with General Electric Canada for long-term managed equipment services that includes new equipment, equipment replacement at specified periods in time and maintenance on this equipment. The agreement is being treated as a capital lease as substantially all of the benefits and risks associated with ownership are transferred to the Hospital. Assets under capital lease are recorded with an offsetting obligation in the period in which new equipment is delivered to the Hospital. The equipment is amortized in a manner consistent with capital assets owned by the Hospital and the obligation including interest thereon is expensed over the term of the lease. The maintenance component of the lease is expensed over the term of the lease.

Contributed services

The Humber River Hospital Volunteer Association volunteer numerous valuable hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

Revenue recognition

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (MOH) and the Central Local Health Integration Network (CLHIN). The Hospital has entered into a Hospital Service Accountability Agreement (the H-SAA) for fiscal 2020 with the CLHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the CLHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the CLHIN has the right to adjust funding received by the Hospital. The CLHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of CLHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Humber River Hospital

Notes to Financial Statements

For the year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Hospital follows the deferral method of accounting for contributions which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period. These financial statements reflect agreed arrangements approved by the MOH and the CLHIN with respect to the year ended March 31, 2020.

Revenue from patient services is recognized when the service is provided.

Ancillary and other revenue consists of items such as parking and medical aids, and investment income. Parking and medical aids revenue is recognized when the goods are sold and services provided. Investment income is earned on restricted capital contributions and is deferred and recognized consistent with these restricted contributions as described above.

Employee benefit plans

[i] Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospital of Ontario Pension Plan ["HOOPP" or the "Plan"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. This plan is accounted for as a defined contribution plan. The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

Due to the COVID-19 pandemic, additional measurement uncertainty exists in the valuation of pension investments in funded plans that the Hospital sponsor. The uncertainty is caused by unobservable valuation inputs for investments, where there is no quoted market price available and the determination of discount rates to value certain plan investments as at March 31, 2020.

[ii] Accrued post-employment benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment. The discount rate used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

Humber River Hospital

Notes to Financial Statements

For the year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Hospital is party to an interest rate swap agreement that manages the exposure to market risks from changing interest rates. At March 31, 2020, \$136,580,000 (2019 - \$140,138,000) is the outstanding amount advanced under this interest rate swap. HRH's policy is not to utilize derivative financial instruments for trading or speculative purposes

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair value

This category is comprised of cash and cash equivalents, restricted cash and investments and derivative instruments. These financial instruments are initially measured at cost and subsequently carried at fair value with changes in fair value recognized in the statement of operations and changes in net assets. Changes in fair value of derivative instruments 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 net assets. Transaction costs related to financial instruments in the fair value category are expensed as incurred. Changes in fair value on restricted assets are recognized as a liability until the restriction criterion has been met.

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 in the statement of operations and changes in net assets. On sale, 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 net assets.

Due to the COVID-19 pandemic, additional measurement uncertainty exists in the valuation of interest rate swap. The uncertainty is caused by unobservable valuation inputs for interest rate swap where there is no quoted market price available as at March 31, 2020.

Amortized cost

This category includes accounts receivable, long-term receivable, accounts payable and accrued liabilities, legal defense fund, long-term debt and long-term payable. They 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.

Humber River Hospital

Notes to Financial Statements

For the year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ from those estimates. Accounts receivable, post-employment benefits and the legal defense fund are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of capital assets are based on estimates of useful service life.

The COVID-19 pandemic has added to the Hospital's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimate as compared to those estimates reported as at March 31, 2019

2. RESTRICTED CASH AND INVESTMENTS

In May 2000, the Hospital received from the Ontario Ministry of Health (MOH), an unconditional capital grant from the Superbuild Growth Fund for capital projects directed by the Health Services Restructuring Commission. The balance for the Superbuild fund at March 31, 2020 is \$6,993,843 [2019 - \$6,993,843].

The Hospital received from MOH planning grants to assist with developing the Humber River Hospital's new hospital project, Finch Site Reactivation Centre and the Church Site Reactivation Centre. The planning grants balance at year end was \$7,223,382 [2019 - \$7,301,099].

The MOH has agreed to allow the Hospital to retain \$10,000,000 towards the MOH's share of construction costs [note 8].

The restricted cash and investments are summarized in the following continuity table:

	2020	2019
	\$	\$
Legal defense fund	5,123,029	4,430,728
Planning grants	7,223,382	7,301,099
Humber River Hospital sinking fund	2,526,558	2,480,254
Unrestricted investment fund	24,500,000	14,500,000
Restricted investment fund	13,158,834	7,026,630
	52,531,803	35,738,711

The unspent portion of these grants and donations is invested in term deposits, bankers' acceptances or current accounts bearing average interest rates ranging from 2.10% to 2.31% [2019 - 0.85% to 1.86%]. The interest income earned was \$161,797 [2019 - \$140,080].

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

2. RESTRICTED CASH AND INVESTMENTS (continued)

Legal defense fund:

Effective January 1, 2014, the Hospital entered into an arrangement with Health Care Insurance Reciprocal of Canada (HIROC) whereby the costs of investigating and defending any litigation claims are borne by the Hospital.

The Hospital has transferred funds to an account held by HIROC Management Limited (HML), as the Hospital's appointed agent, to fund expected payments. The cash balance of \$5,123,029 [2019 - \$4,430,728] is restricted to these payments.

Sinking fund:

Under the Development Accountability Agreement, the Hospital was required to establish a sinking fund, three months in advance of substantial completion, to pay for its share of the new hospital. The sinking fund trust account should contain at all times an amount equal to at least six months of long term debt interest costs and the Hospital's share of the annual service payments excluding facility management services. The Hospital's sinking fund, as at March 31, 2020, was \$2,526,558 [2019 - \$2,480,254] and is held in trust by Computershare.

Unrestricted investment fund:

Unrestricted investment fund consists of a guaranteed investment certificates (GICs) with interest rates ranging from 2.37% to 2.41% [2019 - 2.44%] and maturity dates between July 15 and September 18, 2020 [2019 - December 23, 2019].

Restricted investment fund:

Restricted investment fund consists of funds restricted only for purposes approved by the Board of Directors.

Restricted investment fund consists of three guaranteed investment certificates (GICs) with interest rates ranging from 2.00% to 2.49% [2019 - 2.33% to 2.45%] and maturity dates between April 20 and June 29, 2020 [2019 - July 31 and December 20, 2019].

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

3. FINANCIAL INSTRUMENT CLASSIFICATIONS

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2020		
	Fair Value	Amortized Cost	Total
	\$	\$	\$
Cash and cash equivalents	-	27,639,308	27,639,308
Accounts receivable	-	25,943,351	25,943,351
Long-term receivable	-	540,711,846	540,711,846
Restricted cash and investments	52,531,803	-	52,531,803
Accounts payable and accrued liabilities	-	99,237,463	99,237,463
Legal defense fund	-	4,112,000	4,112,000
Long-term debt	-	150,015,085	150,015,085
Long-term payable	-	563,748,961	563,748,961
Interest rate swaps	22,632,212	-	22,632,212

	2019		
	Fair Value	Amortized Cost	Total
	\$	\$	\$
Cash and cash equivalents	-	21,333,518	21,333,518
Accounts receivable	-	17,206,432	17,206,432
Long-term receivable	-	548,086,297	548,086,297
Restricted cash and investments	35,738,711	-	35,738,711
Accounts payable and accrued liabilities	-	70,202,806	70,202,806
Legal defense fund	-	3,754,000	3,754,000
Long-term debt	-	154,065,686	154,065,686
Long-term payable	-	570,777,008	580,777,008
Interest rate swaps	8,841,555	-	8,841,555

Humber River Hospital Notes to Financial Statements

For the year ended March 31, 2020

3. FINANCIAL INSTRUMENT CLASSIFICATIONS (continued)

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 using the last bid price;
- 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).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Restricted cash and investments	52,531,803	-	-	52,831,803
Interest rate swaps	-	-	22,632,212	22,632,212

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020. There were also no transfers in or out of Level 3.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020 \$	2019 \$
Patient Receivables		
OHIP	2,336,099	2,733,365
WSIB	81,624	197,634
Third Party-Self Pay	1,459,429	1,324,869
Other Third Party	3,034,974	2,488,004
	6,912,126	6,743,872
Impairment allowance	(2,410,489)	(1,396,050)
Sub-total	4,501,637	5,347,822
Non-Patient Receivables	14,602,281	9,193,407
Receivable from MOH/CLHIN	6,761,857	2,609,472
Receivable from HRH Foundation	77,576	55,731
Balance, end of year	25,943,351	17,206,432

Included in accounts receivable is \$6,208,839 (2019 - \$4,326,449) relating to HST.

Humber River Hospital Notes to Financial Statements

For the year ended March 31, 2020

5. LONG-TERM RECEIVABLE

The Hospital has recorded a long-term receivable of \$536,302,597 [2019 - \$544,545,770] from MOH for the New Acute Care Hospital. The prepayment on land lease is related to the lease of the land from Infrastructure Ontario.

The long-term receivables are summarized in the following continuity tables.

	2020 \$	2019 \$
Long-term building receivable balance, beginning of year	544,545,770	552,266,403
Funds received	(8,243,173)	(7,720,633)
	536,302,597	544,545,770
Less: current portion	(8,800,302)	(8,243,173)
Long-term building receivable balance, end of year	527,502,295	536,302,597
Prepayment on land lease	4,409,249	3,540,527
	531,911,544	539,843,124

Payments to the Hospital from MOH for the next five years and thereafter are as follows:

	\$
2021	8,800,302
2022	9,394,295
2023	10,027,573
2024	10,702,720
2025	11,422,496
2026 and thereafter	485,955,211
	536,302,597

6. CAPITAL ASSETS

Capital assets consist of the following:

	2020 \$		2019 \$	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Land	761,235	-	761,235	-
Buildings & building service equip.	1,478,149,239	251,143,320	1,441,596,097	210,681,597
Equipment	335,890,244	256,539,826	321,398,172	233,781,716
Construction in progress - other	4,436,140	-	16,076,403	-
	1,819,236,858	507,683,146	1,779,831,907	444,463,313
Net book value		1,311,553,712		1,335,368,594

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

6. CAPITAL ASSETS (continued)

Substantial completion of the New Acute Hospital was May 11, 2015 however the final completion certification of the project has not been issued. Any potential adjustment to the costs will be recorded on a prospective basis. Costs for the New Acute Hospital are included in buildings and building service equipment.

Assets under capital lease [note 9] are included in equipment above as follows:

	2020		2019	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Equipment under capital lease	57,293,530	29,424,005	57,293,530	22,756,314
Net book value		27,869,525		34,537,216

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$25,027,226 [2019 - \$14,344,527] of deferred revenue from the MOH, CLHIN, and others.

8. LONG-TERM PAYABLE

Balance includes the following:

	2020	2019
	\$	\$
Due to PHCP [i]	536,302,597	544,545,770
Due to MOH [ii]	-	10,000,000
Due to Infrastructure Ontario [iii]	5,000,000	4,000,000
Other PHCP payable [iv]	11,839,633	11,481,693
MOH deferred revenue [v]	10,606,731	10,749,545
	563,748,961	580,777,008
Less: current portion	8,800,302	8,243,173
	554,948,659	572,533,835

[i] Based on the payment terms in the Plenary Health Care Partners (“PHCP”) project agreement, the Hospital has recorded a long-term payable to PHCP in the amount of \$536,302,597 [2019 – \$544,545,770] and a long-term receivable of \$536,302,597 [2019 - \$544,545,770] from the MOH. These amounts are included in deferred capital contributions [note 11].

[ii] Due to MOH related to construction costs due May 2020.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

8. LONG-TERM PAYABLE (continued)

[iii] Due to Infrastructure Ontario related to lease of land.

[iv] Other PHCP payable related to payments withheld based on the PHCP project agreement. These amounts are currently in discussion with Plenary and are not expected to be settled within a year.

[v] MOH deferred revenue relates to funding received to cover transaction costs related to the amount due to PHCP. Amounts will be amortized over the term of the payable.

Payments to PHCP for the next five years and thereafter are as follows:

	\$
2021	8,800,302
2022	9,394,295
2023	10,027,573
2024	10,702,720
2025	11,422,496
2026 and thereafter	485,955,211
	536,302,597

9. MES LEASE OBLIGATION

In fiscal 2016, the Hospital entered into a lease agreement for certain equipment under managed equipment services with General Electric Canada which requires monthly payments of principal plus interest and maintenance costs. The lease has an interest rate of 8.05%, expiring at the equipment replacement dates, at which time the Hospital has the option to purchase the equipment. The capital lease is recorded as follows:

	2020	2019
	\$	\$
MES lease obligation	23,587,052	30,677,541
Less: current portion	8,184,596	7,391,587
	15,402,456	23,285,954

The current portion represents payments to be made over the next 12 months. For a full repayment schedule related to the MES equipment contract see Note 13 [iv].

Included in operations is \$2,633,259 [2019 - \$2,710,292] related to interest on this lease obligation.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

10. EMPLOYEE BENEFIT PLANS

[a] Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due. Contributions made to the plan during the year by the Hospital amounted to \$21,399,186 [2019 - \$19,990,584].

[b] Post-employment benefits

The Hospital's non-pension post-employment benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from the Hospital and are between the ages of 55 and 65. The most recent actuarial valuation of the plan was March 31, 2020.

	2020	2019
	\$	\$
Accrued benefit obligation	6,449,600	6,529,600
Unamortized experience gain	1,511,700	1,501,000
Accrued benefit liability	7,961,300	8,030,600

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations for the non-pension, post-employment benefit plans are as follows:

	2020	2019
	%	%
Discount rate	3.29	3.18
Dental cost trend rates	2.75	2.75
Extended Health care trend rates	6.00*	6.00

* The rate as at March 31, 2020 is 6.0% and decreasing by 0.25% each year to an ultimate rate of 4.5%.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

11. DEFERRED CAPITAL CONTRIBUTIONS

- a) In the Statement of Operations and Changes in Net Assets, building amortization and interest, represents the amortization net of amortization of building deferred grants and the interest cost net of MOH funding as follows:

	2020	2019
	\$	\$
Building grant amortization	33,899,868	32,186,968
Amortization	(40,593,002)	(38,195,891)
	(6,693,134)	(6,008,923)
MOH Interest on long-term debt obligation related to building		
MOH funding of interest on building	34,814,329	35,320,570
MOH interest cost on building	(34,814,329)	(35,320,570)
Building amortization and interest, net	(6,693,134)	(6,008,923)

- b) In the Statement of Financial Position, deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The change in deferred capital contributions is as follows:

	2020	2019
	\$	\$
Deferred capital contributions, beginning of year	1,109,832,675	1,128,640,122
Add contributions/interest received/receivable for capital purposes		
MOH/CLHIN	36,419,478	16,682,419
Humber River Hospital Foundation and other	5,181,220	4,908,298
Less amortization of deferred capital contributions	(43,974,805)	(40,398,164)
Deferred capital contributions, end of year	1,107,458,568	1,109,832,675

As at March 31, 2020 there was \$3,680,202 (2019 - \$8,652,681) of deferred capital contributions received which were not spent.

Humber River Hospital Notes to Financial Statements

For the year ended March 31, 2020

12. AFFILIATED ENTITIES

The Foundation is an independent corporation incorporated without share capital which has its own Board of Directors and is a registered charity under the Income Tax Act. The Foundation receives and maintains funds for charitable purposes for the use of operations, renovations, maintenance and equipment of the Hospital.

At March 31, 2020, the Hospital has a receivable from the Foundation of \$77,576 [2019 – \$55,731]. As at March 31, 2020, the Foundation had total fund balances of \$11,435,106 [2019 - \$9,690,872]. Total funds received from the Foundation for fiscal 2020 amounts to \$4,616,852 [2019 – \$4,989,645].

The Volunteer Association, an independent organization, engages in fundraising activities to generate funds for the benefit of the Hospital. All amounts received from the Association are externally restricted for capital or operating purposes. As at March 31, 2020, the Association had net assets of approximately \$323,556 [2019 - \$443,713].

13. COMMITMENTS AND CONTINGENCIES

[i] The Hospital is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed insurance coverage in place. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any losses in excess of insurance coverage related to claims will be recorded in the year during which the liability is determinable.

[ii] The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2020, with respect to claims.

Effective January 1, 2014, the Hospital entered into an agreement with HIROC where the costs of investigating and defending litigation claims would be assumed by the Hospital. The Hospital has appointed HIROC Management Limited (HML) as the Hospital's appointed agent for such claims defense costs in accordance with an Agency Agreement. At March 31, 2020, a provision of \$4,112,000 [2019 – \$3,754,000] has been established.

[iii] The following is a schedule of service contract commitments for the next five years and thereafter:

	\$
2021	28,585,481
2022	26,092,244
2023	20,227,839
2024	19,054,165
2025	13,322,623
2026 and thereafter	<u>33,045,116</u>
Total minimum commitments for the next four years	<u>140,327,468</u>

In addition, there is a 30 years maintenance agreement for the new hospital that commenced upon substantial completion May 11, 2015. The commitment is \$1,411,732,523 excluding HST. This includes financing costs during the operational term, including interest costs (net of interest earned) and fees of \$685,819,866, lifecycle costs of \$238,693,815, facilities management costs and other transaction costs during the operational term of \$487,218,842.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

13. COMMITMENTS AND CONTINGENCIES (continued)

The following schedule indicates the commitments by the MOH and the Hospital:

	MOH \$	Hospital \$
Lifecycle costs	212,745,280	25,948,535
Interest	685,819,866	-
Maintenance	-	436,482,300
Other transactional costs	50,736,542	-
Balance, end of year	949,301,688	462,430,835

[iv] The Hospital has entered into a long-term managed equipment services contract with General Electric Canada over 15 years [Note 9].

The following is a schedule of commitments at a nominal dollar value:

	\$
2021	15,435,142
2022	15,635,799
2023	15,839,064
2024	16,044,972
2025	16,253,557
2026 and thereafter	93,225,544
	172,434,078

Included in the payments above is a total of \$81,209,220 in interest and maintenance.

14. CREDIT FACILITIES

The Hospital has a \$15,000,000 demand revolving credit facility which bears interest based on the bank's prime rate minus 0.50%. \$5,000,000 of this facility is available as a swing-line loan. As at March 31, 2020, the Hospital had not utilized this facility.

As part of the new acute site hospital project, the Hospital has entered into an agreement with the Bank of Montreal and the Toronto-Dominion bank to establish a committed non-revolving term loan in the maximum principal amount not to exceed \$175,000,000. The term loan bears interest at the banks' prime rate minus 0.50%.

As at March 31, 2020, the Hospital has utilized \$165,800,000 of this loan (2019 - \$165,800,000) of which the total amount outstanding was \$150,388,418 (2019 - \$154,476,353). \$373,333 (2019 - \$410,668) of transaction costs have been netted against this balance. Repayment commenced May 13, 2016. These funds were transferred to the Hospital's Sinking Fund [Note 2] to pay for its share of the new acute care hospital.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

14. CREDIT FACILITIES (continued)

Principal repayments for the next five years and thereafter are as follows:

	\$
2021	12,853,935
2022	4,001,935
2023	4,095,935
2024	4,197,935
2025	4,301,935
2026 and thereafter	120,936,743
	150,388,418

On May 4, 2015, the Hospital entered into a series of interest rate swaps to finance its share of the new acute care hospital.

An interest rate swap in the amount of \$10,000,000 with a maturity date of May 13, 2020 and a fixed interest rate of 1.97% was established. An interest rate swap in the amount of \$20,000,000 with a maturity date of May 13, 2025 and a fixed interest rate of 2.65% was established. An interest rate swap in the amount of \$10,000,000 with a maturity date of May 13, 2030 and a fixed interest rate of 2.99% was established. An interest rate swap in the amount of \$10,000,000 with a maturity date of May 14, 2035 and a fixed interest rate of 3.16% was established. An interest rate swap in the amount of \$100,000,000 with a maturity date of May 14, 2046 and a fixed interest rate of 3.26% was established. As of March 31, 2020, total unrealized losses of \$22,632,212 (2019 - \$8,841,555) have been recognized on the above interest rate swaps.

15. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2020	2019
	\$	\$
Accounts receivable	(8,736,919)	2,327,584
Inventory	(699,296)	(96,374)
Prepaid expenses	(289,895)	1,427,286
Accounts payable and accrued liabilities	29,034,657	(2,225,703)
Legal defense fund	358,000	(235,062)
	19,666,547	1,197,731

Humber River Hospital Notes to Financial Statements

For the year ended March 31, 2020

16. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash, restricted cash and investments, accounts receivable and long-term receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$500,000 (2019 - \$500,000).

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the MOH in relation to the funding agreements described in Note 1.

Accounts receivable are primarily due from Ontario Health Insurance Plan (OHIP), the MOH, CLHIN, Canada Revenue Agency and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The long-term receivable is due from MOH relating to the new acute site hospital project [Note 5] and the related credit risk is mitigated by the financial solvency of the provincial government.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

The amounts outstanding at **March 31, 2020** were as follows:

	Total \$	Current \$	Past Due			
			1 - 30 days \$	31 - 60 days \$	61 - 90 days \$	91+ days \$
Gross receivables	28,353,840	21,690,101	2,158,056	1,349,358	269,468	2,886,857
Less: impairment allowance	(2,410,489)	-	-	-	-	(2,410,489)
Net receivables	25,943,351	21,690,101	2,158,056	1,349,358	269,468	476,368
Long-term receivables	536,302,597	536,302,597	-	-	-	-

The amounts outstanding at March 31, 2019 were as follows:

	Total \$	Current \$	Past Due			
			1 - 30 days \$	31 - 60 days \$	61 - 90 days \$	91+ days \$
Gross receivables	18,602,482	11,858,610	3,058,690	1,569,432	328,940	1,786,810
Less: impairment allowance	(1,396,050)	-	-	-	-	(1,396,050)
Net receivables	17,206,432	11,858,610	3,058,690	1,569,432	328,940	390,760
Long-term receivables	544,545,770	544,545,770	-	-	-	-

For the year ended March 31, 2020

16. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment. 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.

Subsequent to year end, additional measurement uncertainty exists around the collectability of patients receivables, due to the impact of COVID-19 pandemic. The uncertainty is caused by collection delays and increase in the rate of doubtful accounts from patients due to economic slowdown in Ontario brought on by emergency measures to combat the spread of COVID-19.

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 three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

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.

Subsequent to year end, COVID-19 has had a significant effect on the financial markets. The extent of any future impact on the Hospital's investments or operations as a result of COVID-19 is unknown.

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. The Hospital is exposed to this risk through its interest bearing investments and the Hospital's credit facilities. The risk over interest bearing investments is mitigated by the fact that the Hospital only holds short-term deposits. The risk over interest bearing debt is mitigated by the use of interest rate swaps to fix the interest rate on the debt over a period of the obligation. As at March 31, 2020, a 1% fluctuation in interest rates, with all other variables being held constant, would have an estimated impact on the market value of the interest rate swaps of approximately \$16,644,731 (2019 – \$15,052,178).

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. \$56,924,419 (2019 - \$39,055,969) of accounts payable and accrued liabilities is due within the next 6 months, and the remaining amount of \$42,313,044 (2019 - \$31,146,837) is due within a year. The long-term payable is based on the project agreement with PHCP and the amount is payable over 30 years as described in Note 8. Also see notes 9 and 14 for additional obligations.

Humber River Hospital
Notes to Financial Statements

For the year ended March 31, 2020

17. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In March, the Hospital ceased providing certain volume-based programs which had implications on its patient revenues and certain ancillary revenues. These services continue to be impacted under government imposed restrictions. In addition, the Hospital has been incurring incremental expenses relating to the pandemic. The Ministry of Health has indicated that they will provide funding for net incremental COVID-19 expenses.

As the impacts of COVID-19 continue, there could be further impact on the Hospital, including its funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Hospital is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.