

Humber River Hospital
Financial Statements
For the year ended March 31, 2021

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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, 2021, 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, 2021, 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
Oakville, Ontario
June 22, 2021

Humber River Hospital
Statement of Financial Position

(expressed in thousands)

	March 31, 2021 \$	March 31, 2020 \$
ASSETS		
Current assets		
Cash and cash equivalents	19,329	27,639
Restricted cash and investments [note 3]	116,265	52,532
Accounts receivable [note 5]	40,281	25,943
Inventory	8,028	3,374
Prepaid expenses	4,366	3,550
Current portion of long-term receivable [note 6]	9,394	8,800
Total current assets	197,663	121,838
Long-term receivable [note 6]	523,386	531,912
Capital assets [note 7]	1,282,799	1,311,554
	2,003,848	1,965,304
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities [note 8]	133,473	99,237
Current portion of long-term debt [note 15]	4,002	12,854
Current portion of MES lease obligation [note 10]	8,929	8,185
Current portion of long-term payable [note 9]	9,394	8,800
Legal defense fund [note 14(ii)]	4,674	4,112
Total current liabilities	160,472	133,188
Long-term debt [note 15]	133,197	137,161
Post-employment benefits [note 11]	7,973	7,961
MES lease obligation [note 10]	9,736	15,402
Long-term payable [note 9]	546,388	554,949
Interest rate swaps [note 15]	7,275	22,632
Deferred capital contributions [note 12b]	1,124,753	1,107,459
Total liabilities	1,989,794	1,978,752
Commitments and contingencies [note 14]		
Net assets	21,329	9,184
Accumulated remeasurement losses	(7,275)	(22,632)
	14,054	(13,448)
	2,003,848	1,965,304

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
(expressed in thousands)

For the year ended March 31	2021	2020
	\$	\$
Accumulated remeasurement losses, beginning of year	(22,632)	(8,841)
Unrealized gains (losses) attributable to derivative interest rate swaps	15,357	(13,791)
Net remeasurement gains (losses) for the year	15,357	(13,791)
Accumulated remeasurement losses, end of year	(7,275)	(22,632)

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

Humber River Hospital
Statement of Operations and Changes in Net Assets
(expressed in thousands)

For the year ended March 31	2021	2020
	\$	\$
REVENUE		
Ministry of Health and Central Local		
Health Integrated Network <i>[note 2a]</i>	521,058	473,828
Patient services	33,688	35,677
Ancillary and other	20,252	18,733
Amortization of deferred capital contributions - equipment	8,988	10,075
	583,986	538,313
EXPENSES		
Salaries, wages and benefits	379,407	349,915
Medical and surgical supplies	33,330	34,345
Drugs and gases	26,294	25,192
Supplies and other expenses	102,351	92,651
Specifically funded programs	13,735	12,375
Amortization - equipment	22,861	22,757
	577,978	537,235
Excess of revenue over expenses for the year		
before other items	6,008	1,078
OTHER ITEMS		
Working Funds Initiative <i>[note 2a]</i>	5,675	-
Revenue allocated to buildings	11,016	13,039
Building amortization and interest, net <i>[note 12a]</i>	(6,533)	(6,693)
Interest on long-term debt	(4,021)	(4,568)
	12,145	2,856
Excess of revenue over expenses for the year		
Net assets, beginning of year	9,184	6,328
Net assets, end of year	21,329	9,184

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

Humber River Hospital
Statement of Cash Flows
(expressed in thousands)

For the year ended March 31	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	12,145	2,856
Add (deduct) items not requiring cash		
Amortization	65,460	63,350
Amortization of deferred capital contributions	(45,053)	(43,975)
Amortization of deferred financing fee	37	37
	32,589	22,268
Net change in non-cash working capital balances related to operations <i>[note 16]</i>	14,990	19,667
Accrual for post-employment benefits	12	(69)
Cash provided by operating activities	47,591	41,866
FINANCING AND CAPITAL ACTIVITIES		
Deferred capital contributions received	62,347	41,601
Repayment of long-term debt	(12,853)	(4,088)
Purchase of capital assets	(36,705)	(39,535)
Decrease in long-term receivable	7,932	7,374
Decrease in long-term payable	(7,967)	(17,028)
Payments on MES lease obligation, net	(4,922)	(7,091)
Cash provided by (used in) financing and capital activities	7,832	(18,767)
INVESTING ACTIVITY		
Increase in restricted cash and investments	(63,733)	(16,793)
Cash used in investing activity	(63,733)	(16,793)
Net increase (decrease) in cash during the year	(8,310)	6,306
Cash and cash equivalents, beginning of year	27,639	21,333
Cash and cash equivalents, end of year	19,329	27,639

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

Humber River Hospital

Notes to Financial Statements

(expressed in thousands)

For the year ended March 31, 2021

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 13]:

- 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, 2021, there were no term deposits cashable within 90 days (2020 - \$10,750 with a maturity date of May 26, 2020 and earned interest at 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 drugs, 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
(expressed in thousands)

For the year ended March 31, 2021

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 2021 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
(expressed in thousands)

For the year ended March 31, 2021

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, 2021.

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.

[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
(expressed in thousands)

For the year ended March 31, 2021

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, 2021, \$124,256 (2020 - \$136,580) 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.

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
(expressed in thousands)

For the year ended March 31, 2021

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.

2. COVID-19

(a) COVID-19 MINISTRY OF HEALTH FUNDING

In response to the ongoing COVID 19 pandemic, the MOH has announced funding programs to assist hospitals with incremental operating and capital costs, revenue decreases as a result of COVID 19, and working fund support. Additionally, as part of the broad based funding reconciliation, the MOH is allowing hospitals to reallocate surplus funding that otherwise would have been repayable from certain programs to offset budget constraints created by COVID 19.

Management's estimate of the Hospital's MOH revenue is based on guidance which continues to evolve and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. This guidance includes the maximum amount of funding potentially available to the Hospital, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the MOH revenue related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

(b) FINANCIAL IMPACTS OF COVID-19

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.

Since March 2020, the Hospital has been making changes to 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 been providing funding for net incremental COVID-19 capital and operating expenses.

Based on funding and commitments received from the MOH to cover all incremental COVID-19 operational and capital costs, the Hospital recognized additional one-time revenues and capital grants for the 2021 fiscal year. If the Hospital does not meet its performance standards or obligations, the Ministry has the right to adjust the COVID-19 funding received by the Hospital. The Ministry is not required to communicate the funding adjustments until after the submission of the year-end data. Therefore, the funding received for COVID-19 may be increased or decreased subsequent to year-end. The amount of revenue recognized in the financial statements represents management's best estimates of the amount earned during the year.

Humber River Hospital

Notes to Financial Statements

(expressed in thousands)

For the year ended March 31, 2021

2. COVID-19 (continued)

Humber River Hospital has received communication from the MOH that it is eligible for one-time funding under the Hospital Working Funds Initiative program. The intent of the program is to address systemic working funds deficit to improve the financial health and stability of all hospitals. The terms and conditions for working funds relief state that funding will be recovered if it is not used for the intended purpose.

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 pandemic and the global responses to curb its spread, the Hospital is not able to fully estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity at this time.

3. 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, 2021 is \$6,994 [2020 - \$6,994].

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

The Hospital received from MOH other planning and capital grants to assist with developing the Humber River Hospital's new hospital project, Finch Site Reactivation Centre and Church Site Reactivation Centre. In 2021, the Hospital received planning and capital grants from the Ministry of Long Term Care for the construction of a Long Term Care Home Facility [note 7]. The planning and capital grants balance at year end was \$42,447 [2020 - \$7,223].

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

	2021	2020
	\$	\$
Legal defense fund	5,475	5,123
Planning and capital grants	42,447	7,223
Humber River Hospital sinking fund	2,539	2,527
Unrestricted investment fund	55,366	24,500
Restricted investment fund	10,438	13,159
	116,265	52,532

The unspent portion of these grants and donations is invested in term deposits, bankers' acceptances or current accounts bearing average interest rates ranging from 0.48% to 0.71% [2020 - 2.10% to 2.31%]. The interest income earned was \$94 [2020 - \$162].

Humber River Hospital
Notes to Financial Statements
(expressed in thousands)

For the year ended March 31, 2021

3. 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 \$5,475 [2020 - \$5,123] 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, 2021, was \$2,539 [2020 - \$2,527] and is held in trust by Computershare.

Unrestricted investment fund:

Unrestricted investment fund consists of guaranteed investment certificates (GICs) with interest rates ranging from 0.55% to 1.02% [2020 - 2.37% to 2.41%] and maturity dates between July 15, 2021 and January 19, 2022 [2020 - between July 15 and September 18, 2020].

Restricted investment fund:

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

Restricted investment fund consists of guaranteed investment certificates (GICs) with interest rates ranging from 0.54% to 0.78% [2020 - 2.00% to 2.49%] and maturity dates between August 5, 2021 and March 25, 2022 [2020 - April 20 and June 29, 2020].

4. 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.

	2021		
	Fair Value	Amortized	
	\$	Cost	Total
	\$	\$	\$
Cash and cash equivalents	-	19,329	19,329
Accounts receivable	-	40,281	40,281
Long-term receivable	-	532,780	532,780
Restricted cash and investments	116,265	-	116,265
Accounts payable and accrued liabilities	-	(133,473)	(133,473)
Legal defense fund	-	(4,674)	(4,674)
Long-term debt	-	(137,199)	(137,199)
Long-term payable	-	(555,782)	(555,782)
Interest rate swaps	(7,275)	-	(7,275)

Humber River Hospital
Notes to Financial Statements
(expressed in thousands)

For the year ended March 31, 2021

4. FINANCIAL INSTRUMENT CLASSIFICATIONS (continued)

	2020		
	Fair Value	Amortized Cost	Total
	\$	\$	\$
Cash and cash equivalents	-	27,639	27,639
Accounts receivable	-	25,943	25,943
Long-term receivable	-	540,712	540,712
Restricted cash and investments	52,532	-	52,532
Accounts payable and accrued liabilities	-	(99,237)	(99,237)
Legal defense fund	-	(4,112)	(4,112)
Long-term debt	-	(150,015)	(150,015)
Long-term payable	-	(563,749)	(563,749)
Interest rate swaps	(22,632)	-	(22,632)

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	116,265	-	-	116,265
Interest rate swaps	-	-	(7,275)	(7,275)

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2021. There were also no transfers in or out of Level 3.

Humber River Hospital
Notes to Financial Statements
(expressed in thousands)

For the year ended March 31, 2021

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2021	2020
	\$	\$
Patient Receivables		
OHIP	2,713	2,336
WSIB	117	82
Third Party-Self Pay	493	1,459
Other Third Party	2,197	3,035
	5,520	6,912
Impairment allowance	(827)	(2,410)
Sub-total	4,693	4,502
Non-Patient Receivables	12,736	14,602
Receivable from MOH/CLHIN	22,852	6,762
Receivable from HRH Foundation	-	77
Balance, end of year	40,281	25,943

Included in accounts receivable is \$7,716 (2020 - \$6,209) relating to HST.

Humber River Hospital
Notes to Financial Statements
(expressed in thousands)

For the year ended March 31, 2021

6. LONG-TERM RECEIVABLE

The Hospital has recorded a long-term receivable of \$527,503 [2020 - \$536,303] 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.

	2021	2020
	\$	\$
Long-term building receivable balance, beginning of year	536,303	544,546
Funds received	(8,800)	(8,243)
	527,503	536,303
Less: current portion	(9,394)	(8,800)
Long-term building receivable balance, end of year	518,109	527,503
Prepayment on land lease	5,277	4,409
	523,386	531,912

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

	\$
2022	9,394
2023	10,028
2024	10,703
2025	11,422
2026	12,190
2027 and thereafter	473,766
	527,503

7. CAPITAL ASSETS

Capital assets consist of the following:

	2021		2020	
	\$		\$	
	Cost	Accumulated	Cost	Accumulated
	\$	\$	\$	\$
Land	761	-	761	-
Buildings & building service equipment	1,486,463	286,814	1,478,150	251,143
Equipment	190,892	121,284	335,890	256,540
Construction in progress - other	12,781	-	4,436	-
	1,690,897	408,098	1,819,237	507,683
Net book value		1,282,799		1,311,554

Humber River Hospital
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For the year ended March 31, 2021

7. 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.

The Hospital was awarded an opportunity by the Ministry of Long Term Care to develop and operate a 320-bed long-term care facility on its lands at Finch Site location. On December 9, 2020, the Hospital entered into a project agreement with a third party construction company, EllisDon Corporation to design and construct a long-term care facility at the Finch Site location. During construction, payments on account of work done and services provided are made monthly in the amount as certified by the consultant. As at March 31, 2021, the total amount certified and paid to EllisDon Corporation and included in construction in progress was \$4,897.

Construction in progress – other reflects monies expended on assets not yet in use including the pre-planning and design phase of the Finch Site Long Term Care Home Facility and various Information Systems projects.

A total of \$ \$164,914 (2020 - \$Nil) of assets that are fully amortized and no longer in use were written off within the fiscal year.

Assets under capital lease [note 10] are included in equipment above as follows:

	2021		2020	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Equipment under capital lease	61,517	36,840	57,294	29,424
Net book value		24,677		27,870

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$10,000 [2020- \$10,000] due to MOH related to construction costs and \$51,618 [2020 - \$25,027] of deferred revenue from the MOH, CLHIN, and others.

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9. LONG-TERM PAYABLE

Balance includes the following:

	2021	2020
	\$	\$
Due to PHCP [i]	527,503	536,303
Due to Infrastructure Ontario [ii]	6,000	5,000
Other PHCP payable [iii]	11,840	11,840
MOH deferred revenue [iv]	10,439	10,606
	555,782	563,749
Less: current portion	9,394	8,800
	546,388	554,949

[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 \$527,503 [2020 - \$536,303] and a long-term receivable of \$527,503 [2020 - \$536,303] from the MOH. These amounts are included in deferred capital contributions [note 12].

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

[iii] 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.

[iv] 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:

	\$
2022	9,394
2023	10,028
2024	10,703
2025	11,422
2026	12,190
2027 and thereafter	473,766
	527,503

10. 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.

Humber River Hospital
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10. MES LEASE OBLIGATION (continued)

The capital lease is recorded as follows:

	2021	2020
	\$	\$
MES lease obligation	18,665	23,587
Less: current portion	8,929	8,185
	9,736	15,402

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 14 [iv].

Included in operations is \$1,696 [2020 - \$2,633] related to interest on this lease obligation.

11. 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 \$22,983 [2020 - \$21,399].

[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, 2021.

	2021	2020
	\$	\$
Accrued benefit obligation	12,737	6,450
Unamortized experience gain (loss)	(4,764)	1,511
Accrued benefit liability	7,973	7,961

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

	2021	2020
	%	%
Discount rate	3.21	3.29
Dental cost trend rates	2.75	2.75
Extended Health care trend rates*	5.75	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%.

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12. 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:

	2021	2020
	\$	\$
Building grant amortization	36,065	33,900
Amortization	(42,598)	(40,593)
	(6,533)	(6,693)
MOH Interest on long-term debt obligation related to building		
MOH funding of interest on building	34,274	34,814
MOH interest cost on building	(34,274)	(34,814)
Building amortization and interest, net	(6,533)	(6,693)

- b) In the Statement of Financial Position, deferred capital contributions represent the unamortized amount, unspent amount of donations and grants received for the purchase of capital assets and any other adjustments. A total of \$72,146 of grants related to fully amortized capital assets that were no longer in use were written off within the fiscal year. The change in deferred capital contributions is as follows:

	2021	2020
	\$	\$
Deferred capital contributions, beginning of year	1,107,459	1,109,833
Add contributions/interest received/receivable for capital purposes		
MOH/CLHIN	14,376	36,420
MLTC	41,796	-
Humber River Hospital Foundation and other	6,175	5,181
Less amortization of deferred capital contributions	(45,053)	(43,975)
Deferred capital contributions, end of year	1,124,753	1,107,459

As at March 31, 2021 there was \$49,149 (2020 - \$3,680) of deferred capital contributions received which were unamortized.

13. 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, 2021, the Hospital has a payable to the Foundation of \$19 [2020 - \$77 receivable]. As at March 31, 2021, the Foundation had total fund balances of \$12,736 [2020 - \$11,435]. Total funds received from the Foundation for fiscal 2021 amounts to \$5,423 [2020 - \$4,617].

Humber River Hospital
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13. AFFILIATED ENTITIES (continued)

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, 2021, the Association had net assets of approximately \$375 [2020 - \$323].

14. 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, 2021, 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, 2021, a provision of \$4,674 [2020 – \$4,112] has been established.

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

	\$
2022	22,965
2023	17,682
2024	17,368
2025	16,805
2026	16,319
2027 and thereafter	<u>51,279</u>
Total minimum commitments	<u>142,418</u>

In addition, there is a 30 year maintenance agreement for the new hospital that commenced upon substantial completion May 11, 2015. The commitment is \$1,411,733 excluding HST. This includes financing costs during the operational term, including interest costs (net of interest earned) and fees of \$685,820, lifecycle costs of \$238,694, facilities management costs and other transaction costs during the operational term of \$487,219.

Humber River Hospital
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14. COMMITMENTS AND CONTINGENCIES (continued)

The following schedule indicates the commitments by the MOH and the Hospital as at March 31, 2021:

	MOH \$	Hospital \$
Lifecycle costs	209,094	25,503
Interest	487,708	-
Maintenance	-	361,897
Other transactional costs	40,798	-
Balance, end of year	737,600	387,400

[iv] The Hospital has entered into a long-term managed equipment services contract with General Electric Canada over 15 years [Note 10].

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

	\$
2022	16,149
2023	16,279
2024	16,490
2025	16,704
2026	16,922
2027 and thereafter	78,890
	161,434

Included in the payments above is a total of \$71,660 (2020 - \$81,209) in interest and maintenance.

15. CREDIT FACILITIES

The Hospital has a \$15,000 demand revolving credit facility, which bears interest based on the bank's prime rate minus 0.50%. \$5,000 of this facility is available as a swing-line loan. As at March 31, 2021, 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. The term loan bears interest at the banks' prime rate minus 0.50%.

As at March 31, 2021, the Hospital has utilized \$165,800 of this loan (2020 - \$165,800) of which the total amount outstanding was \$137,535 (2020 - \$150,388). \$336 (2020 - \$373) 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 3] to pay for its share of the new acute care hospital.

Humber River Hospital
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15. CREDIT FACILITIES (continued)

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

	\$
2022	4,002
2023	4,096
2024	4,198
2025	4,302
2026	19,228
2027 and thereafter	101,709
	137,535

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 with a maturity date of May 13, 2020 and a fixed interest rate of 1.97% was repaid during the fiscal year. An interest rate swap in the amount of \$20,000 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 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 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 with a maturity date of May 14, 2046 and a fixed interest rate of 3.26% was established. As of March 31, 2021, total unrealized losses of \$7,275 (2020 - \$22,632) have been recognized on the above interest rate swaps.

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2021	2020
	\$	\$
Accounts receivable	(14,338)	(8,737)
Inventory	(4,654)	(699)
Prepaid expenses	(816)	(290)
Accounts payable and accrued liabilities	34,236	29,035
Legal defense fund	562	358
	14,990	19,667

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17. 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 (2020 - \$500).

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 6] 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, 2021** were as follows:

	Total \$	Current \$	Past Due			
			31 - 60 days \$	61 - 90 days \$	91- 120 days \$	121+ days \$
Gross receivables	41,108	39,088	1,056	75	37	852
Less: impairment allowance	(827)	-	-	-	-	(827)
Net receivables	40,281	39,088	1,056	75	37	25
Long-term receivables	527,502	527,502	-	-	-	-

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

	Total \$	Current \$	Past Due			
			31 - 60 days \$	61 - 90 days \$	91- 120 days \$	121+ days \$
Gross receivables	28,353	23,848	1,349	269	291	2,596
Less: impairment allowance	(2,410)	-	-	-	-	(2,410)
Net receivables	25,943	23,848	1,349	269	291	186
Long-term receivables	536,303	536,303	-	-	-	-

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17. 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.

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.

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, 2021, 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 \$12,894 (2020 - \$16,645).

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. \$62,608 (2020 - \$56,924) of accounts payable and accrued liabilities is due within the next 6 months, and the remaining amount of \$70,865 (2020 - \$42,313) 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 9. Also see notes 10 and 15 for additional obligations.