Financial Statements of

HÔTEL-DIEU GRACE HEALTHCARE

And Independent Auditors' Report thereon

Year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the financial statements of Hôtel-Dieu Grace Healthcare (the “Hospital”), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of remeasurement of gains for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the **“*Auditors’ Responsibilities for the Audit of the Financial Statements*”** section of our auditors’ 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 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.

Responsibility of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' 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 auditors' report that includes our opinion.

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

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

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

- Identify and assess the risk 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, internal 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 purposes 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Hospital's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
May 21, 2021

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

As at March 31, 2021, with comparative information for 2020

(in thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash	$ 10,602	$ 15,137
Short-term investments - restricted (note 3)	4,734	5,932
Accounts receivable (note 2)	6,779	3,294
Inventories	593	294
Prepaid expenses and deposits	1,265	663
	23,973	25,320
Restricted cash and investments (note 3)	25,999	20,923
Capital assets, net (note 4)	222,042	224,129
	$ 272,014	$ 270,372
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 33,065	$ 26,714
Current portion of capital lease obligations (note 13)	163	163
	33,228	26,877
Long-term liabilities:		
Term loan (note 6)	7,000	5,250
Interest rate swap (note 6)	139	608
Accrued sick leave liability	2,399	2,472
Capital lease obligations (note 13)	231	395
Accrued benefit liability (note 7)	9,872	9,897
Deferred capital contributions (note 8)	175,101	180,355
	227,970	225,854
Net assets:		
Unrestricted	(33,115)	(26,876)
Contributed surplus - Prince Road building (note 20)	6,623	6,623
Invested in capital assets (note 10 (a))	39,941	38,524
Board restricted	27,078	26,123
	40,527	44,394
Accumulated remeasurement gains	3,517	124
	44,044	44,518
Commitments and contingencies (notes 12, 14, 18 and 20)		
COVID-19 impacts (note 21)		
	$ 272,014	$ 270,372

See accompanying notes to financial statements.

On behalf of the Corporation

Member of the Corporation

Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

		2021		2020
Revenue:				
Ontario Ministry of Health	$	100,935	$	102,386
Ontario Ministry of Children, Community and Social Services		4,546		4,585
Other patient revenue		1,767		2,193
Other revenue and recoveries		3,796		4,385
Grant amortization - equipment		414		445
		111,458		113,994
Expenses:				
Salaries and purchased services		67,345		69,173
Employee benefits		16,302		17,120
Medical staff		2,951		2,839
Medical and surgical supplies		768		761
Drugs and medical gases		1,229		1,025
Supplies and facilities		21,531		21,085
Amortization of capital assets - equipment		1,687		1,075
		111,813		113,078
Excess (deficiency) of revenue over expenses for the year before undernoted items		(355)		916
Ontario Ministry of Health pandemic funding (note 15)		533		-
Other items - one-time (note 16)		(3,159)		(2,125)
Deficiency of revenue over expenses for the year per Ontario Ministry of Health purposes		(2,981)		(1,209)
Ontario Ministry of Health working capital funding (note 17)		1,401		-
Deficiency of revenue over expenses before building amortization and interest		(1,580)		(1,209)
Interest, net building and land improvements amortization		(2,287)		(1,763)
Deficiency of revenue over expenses for the year	$	(3,867)	$	(2,972)

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

2021		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(26,876)	6,623	38,524	26,123	44,394
Excess (deficiency) of revenue over expenses for the year (note 10 (b))		(468)	-	(3,399)	-	(3,867)
Invested in capital assets (note 10 (b))		(4,816)	-	4,816	-	-
Net transfer to (from) Board restricted from unrestricted		(955)	-	-	955	-
Balance, end of year	$	(33,115)	6,623	39,941	27,078	40,527

2020		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(24,134)	6,623	39,214	25,663	47,366
Excess (deficiency) of revenue over expenses for the year (note 10 (b))		(579)	-	(2,393)	-	(2,972)
Invested in capital assets (note 10 (b))		(1,703)	-	1,703	-	-
Net transfer to (from) Board restricted from unrestricted		(460)	-	-	460	-
Balance, end of year	$	(26,876)	6,623	38,524	26,123	44,394

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

		2021		2020
Operating activities:				
Excess (deficiency) of revenue over expenses for the year	$	(3,867)	$	(2,972)
Add (deduct) non-cash items:				
Amortization of capital assets		9,933		8,867
Amortization of deferred capital contributions		(6,534)		(6,474)
Loss on disposal of capital assets		103		-
Unrealized gain (loss) on investments		3,393		(759)
Change in accrued benefit liability		(25)		42
		3,003		(1,296)
Net change in non-cash working capital balances		1,891		1,556
		4,894		260
Investing activities:				
Purchase of capital assets		(7,949)		(8,533)
Deferred capital contributions received		1,280		1,580
		(6,669)		(6,953)
Financing activities:				
Proceeds from term loan		1,281		5,250
Repayment of capital lease obligations		(163)		(163)
		1,118		5,087
Investing activities:				
Net decrease (increase) in restricted cash and investments		(3,878)		299
Net decrease in cash during the year		(4,535)		(1,307)
Cash beginning of year		15,137		16,444
Cash end of year	$	10,602	$	15,137

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

		2021		2020
Accumulated remeasurement gains, beginning of year	$	124	$	1,491
Unrealized gains (losses) attributable to:				
Long-term investments		2,924		(759)
Interest rate swap		469		(608)
Accumulated remeasurement gains, end of year	$	3,517	$	124

See accompanying notes to financial statements.

Organizational Structure

Hôtel-Dieu Grace Hospital was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1, 2013, the Hospital and Windsor Regional Hospital ("WRH") completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH" or the "Hospital").

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding:

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health as well as the Ministry of Children, Community and Social Services. Both are referred to as "the Ministry". Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Hospital funding is provided through a number of funding streams; including Global Funding, Health Based Allocation Model (HBAM) and Growth and Efficiency Model (GEM). Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. Funding received from the Ministry of Children, Community and Social Services is to be returned if unspent by the end of the fiscal year. Other Vote funding is also to be returned if unspent by the end of the fiscal year. As well, the Ministry's stated policy is that deficits incurred by HDGH will not be funded.

(b) Inventory:

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

1. Significant accounting policies (continued):

(c) Revenue recognition:

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

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 relates to a future period, it is deferred and recognized in that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Revenue from the Ministry, preferred accommodations, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

A full year's amortization is recorded in the year of acquisition. In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay:

Vacation pay entitlements are charged to income on an accrual basis, with the exception of nonunion staff who are paid as the time is taken.

1. Significant accounting policies (continued):

(g) Defined benefit multi-employer pension plan:

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

(h) Accrued post employment benefits:

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 13 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Curtailment gains or losses are immediately recognized as either a reduction or increase to employee future benefit expense.

(i) Contributed services:

Volunteers contribute numerous hours to assist HDGH 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.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities and certain other accrued liabilities. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to their fair value of the assets and liabilities.

(in thousands of dollars)

1. Significant accounting policies (continued):

(l) Accounting standards issued but not yet adopted

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments, PS 3280, Asset Retirement Obligations, PS 3450, Financial Instruments, are effective for fiscal years beginning on or after April 1, 2022. While early adoption is permitted, all four of the standards must be adopted in the same year except for PS 3280. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. PS 3041, Portfolio Investments provides guidance on how to account for and report portfolio investments. PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of tangible capital assets. PS 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. The Hospital has not yet adopted these standards or determined the effect on the financial statements.

Section PS 2601 Foreign Currency Translation is effective for fiscal years beginning on or after April 1, 2022. This section includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. The Hospital has not yet adopted these standards or determined the effect on the consolidated financial statements.

2. Accounts receivable:

	2021	2020
Ontario Ministry of Health – operating and capital grants	$ 5,717	$ 1,487
Ministry of Children, Community and Social Services	182	84
WRH	49	105
Other	1,031	1,898
	6,979	3,574
Less allowance for doubtful accounts	(200)	(280)
	$ 6,779	$ 3,294

(in thousands of dollars)

3. Board restricted net assets:

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

	2021	2020
Board restricted net assets, beginning of year	$ 26,855	$ 27,154
Add:		
Interest and realized gains	955	460
Unrealized gain (loss) on investments	2,924	(759)
Board restricted net assets, end of year	$ 30,734	$ 26,855

The Board restricted net assets are comprised of:

	2021	2020
Capital grants	$ 7,158	$ 6,906
Unspent capital donations	1	1
Restricted cash reserves	19,919	19,216
Unrealized gain on investments	3,656	732
Board restricted net assets, end of year	$ 30,734	$ 26,855

The Board restricted net assets include the following investments:

	2021	2020
Cash on deposit and short term investments	$ 4,734	$ 5,932
Provincial, corporate, Government of Canada bonds (yields between 0.1% and 4.6%, maturing between June 15, 2022 to May 18, 2077)	11,728	10,141
Other investments consisting of a professionally managed portfolio of equities	14,174	10,685
Accrued interest	98	97
	$ 30,734	$ 26,855

(in thousands of dollars)

4. Capital assets:

2021	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 7,005	$ 1,078	$ 5,927
Buildings and building service equipment	308,309	109,064	199,245
Equipment	18,546	8,495	10,051
Construction-in-progress	6,819	–	6,819
	$ 340,679	$ 118,637	$ 222,042

2020	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 6,751	$ 1,076	$ 5,675
Buildings and building service equipment	302,736	100,820	201,916
Equipment	11,235	6,808	4,427
Construction-in-progress	12,111	–	12,111
	$ 332,833	$ 108,704	$ 224,129

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $1,550 (2020 - $1,490), which include amounts for payroll related matters.

(in thousands of dollars)

6. Term loan:

	2021	2020
Term loan payable in average quarterly instalments of $135 commencing July 26, 2021, bearing interest of 2.24% and due September 2035	$ 7,000	$ 5,250

In 2020, HDGH entered into a term loan agreement for a total of $7,000 with the Royal Bank of Canada to finance a major building infrastructure project. The final draw was completed on April 27, 2020. Once completed, the projects chosen are projected to generate energy savings. The energy savings will be utilized as the cash flow for the loan repayment over the next 16 years.

The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of $(139) (2019 - $(608)) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

Principal repayments are as follows:

2022	$ 405
2023	522
2024	468
2025	446
Thereafter	5,159

7. Accrued benefit liability:

HDGH provides post-employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation was performed at March 31, 2021.

The significant actuarial assumptions adopted in estimating HDGH's accrued benefit obligation are as follows:

	2021	2020
Discount rate	3.21%	3.29%
Dental benefits cost escalation	4.55%	4.55%
Medical benefits cost escalation – extended health care	4.1%	4.1%

(in thousands of dollars)

7. Accrued benefit liability (continued):

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2021 is $9,872 (2020 - $9,897) amount is comprised of:

	2021	2020
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	$ 8,542	$ 8,751
Actuarial losses (gains) during the year	80	(323)
Benefits paid by HDGH during the year	(609)	(600)
Interest	284	282
Current service cost	394	432
Funded balance – deficit, end of year	8,691	8,542
Unamortized actuarial losses	1,181	1,355
Accrued benefit liability, end of year	$ 9,872	$ 9,897

HDGH's net benefit expense is as follows:

	2021	2020
Current service cost	$ 394	$ 432
Interest	284	282
Amortization of net actuarial gains	(94)	(72)
	$ 584	$ 642

(in thousands of dollars)

8. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2021	2021
Deferred capital contributions, beginning of year	$ 180,355	$ 185,248
Add:		
Ministry of Health capital grants received in the year	1,033	932
Hôtel-Dieu Grace Healthcare Foundation donation	247	649
	181,635	186,829
Less:		
Amortization of capital contributions	(6,534)	(6,474)
Deferred capital contributions, end of year	$ 175,101	$ 180,355

The balance consists of the following:

	2021	2020
Ministry of Health	$ 164,944	$ 169,454
Together in Caring Foundation	6,946	7,327
Hôtel-Dieu Grace Healthcare Foundation donations	1,166	1,383
Deferred general donations	2,045	2,191
	$ 175,101	$ 180,355

9. Hôtel-Dieu Grace Healthcare Foundation:

HDGH established the Hôtel-Dieu Grace Healthcare Foundation (“HDGH Foundation”) on December 11, 2015 whose object is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The HDGH Foundation is independent from HDGH but HDGH does have an economic interest in the HDGH Foundation.

In the current year, donations of $247 were transferred from the HDGH Foundation to HDGH. As of year-end, HDGH receivable from the HDGH Foundation is $123.

(in thousands of dollars)

10. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2021	2020
Capital assets	$ 222,042	$ 224,129
Less amounts financed by:		
Deferred capital contributions	(175,101)	(180,355)
Term Loan	(7,000)	(5,250)
	$ 39,941	$ 38,524

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 6,534	$ 6,474
Amortization of capital assets	(9,933)	(8,867)
	(3,399)	(2,393)
Invested in capital assets:		
Purchase of capital assets	7,949	8,533
Disposal of capital assets	(103)	–
Amounts funded by capital grants	(1,033)	(931)
HDGH Foundation donation (net)	(247)	(649)
Proceeds of term loan	(1,750)	(5,250)
	4,816	1,703
Net change in investment in capital assets	$ 1,417	$ (690)

11. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to $5,931 (2020 - $5,850). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2020 indicates the plan is fully funded.

(in thousands of dollars)

12. Operating leases:

Under the terms of the various non-capital equipment leases, HDGH is committed to lease payments aggregating approximately as follows:

2022	$	315
2023		137
2024		115
2025		44
2026		11

13. Capital lease obligations:

HDGH has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2022	$	163
2023		163
2024		68
Total lease payments		394
Less: current portion of obligations under capital lease		(163)
	$	231

14. Capital commitments:

HDGH has committed to capital expenditures of $1,079 which will be incurred over the next fiscal year. The expenditures will be funded through both operating funds and capital grants.

(in thousands of dollars)

15. Ontario Ministry of Health pandemic funding:

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

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

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by the Ministry and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the Ministry. However, given the potential for future changes to funding programs that could be announced by the Ministry, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to Management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of Ministry funding for COVID-19 recognized as revenue in the current year are summarized below:

Pandemic pay revenue	$ 1,741
Pandemic pay expenses	(1,741)
Funding for incremental COVID-19 operating expenses	6,520
Incremental COVID-19 operating expenses	(6,520)
Funding for revenue losses resulting from COVID-19	976
Broad-based funding reconciliation for other eligible costs and revenue losses	257
	1,233
Less: provision for future changes to funding programs	(700)
	$ 533

(in thousands of dollars)

16. Other items – one-time:

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

		2021		2020
Other one-time revenues	$	147	$	389
Ministry of Health one-time revenue		1,040		155
Other one-time Items		885		–
Termination accruals		(2,656)		(203)
One-time HIS expenses		(2,575)		(2,466)
	$	(3,159)	$	(2,125)

17. Ontario Ministry of Health working capital funding:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the Ministry has provided a preliminary estimate of working capital funding and has indicated that the final amount of funding is subject to further analysis and validation by the Ministry. Any future adjustments to working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

18. Contingencies:

Due to the nature of its operations, HDGH is periodically subject to lawsuits in which HDGH is named defendant, as well as subject to grievances and claims or potential claims filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations of HDGH.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person's reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2021.

19. Transform:

HDGH, along with the other four hospitals within the Erie St. Clair LHIN, entered into an agreement in 2013 that resulted in the amalgamation of Consolidated Health Information Services and PROcure into a non-share capital, not for-profit corporation named TransForm.

TransForm is a shared services organization that currently provides Information Technology/Information Systems services and purchasing and payments services at rates designated to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated based on each hospital's proportionate share of resources being utilized. In addition, HDGH contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, HDGH paid $946 (2020 - $872) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, $298 (2020 - $303) was paid for purchasing and payments of services. Also, HDGH paid TSSO $3,935 (2020 - $3,874) for services and capital purchases related to the HIS Project. The balance payable to TransForm at March 31, 2021 is $934 (2020 - $461) and has been included in accounts payable and accrued liabilities.

The other part of the blended financing is a lease agreement with Macquarie Equipment Finance Ltd. that Transform entered into in 2016-2017 of which HDGH's portion of the guarantee is 11.56% for a total of $4. This Lease agreement has various end dates, the latest of which is in 2022. An additional lease agreement with Macquarie Equipment Finance Ltd. was entered into during fiscal 2017-2018 of which HDGH's portion of the guarantee is 11.03% for a total of $9. This Lease agreement has various end dates, the latest of which is in 2023. During the current fiscal year, HDGH made payments totaling $132 in connection with the above-noted leases.

HDGH also provides a guarantee on the line of credit (held with CIBC) of TSSO for $223.

20. Program re-alignment:

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99-year period for nominal consideration. The long-term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of $6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for 7 years, with option to extend for another 14 years less one day, for nominal consideration. All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

21. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

22. Bank indebtedness:

The Hospital has credit facilities which include a revolving demand facility to $8 Million. The facility bears interest at banker's prime rate less 0.5% (2020 – prime rate less 0.5%). As of March 31, 2021, $Nil (2020 - $Nil) has been withdrawn.

23. Health Ventures Business Trust:

Health Ventures Business Trust is an independent business trust established for the purposes of owning and managing revenue generating initiatives for the benefit of the Hospital. 2644224 Ontario Inc. is an independent corporation established for the purposes of acting as the corporate trustee of the Health Ventures Business Trust. As of March 31, 2021, Health Ventures Business Trust and 2644224 Ontario Inc. have no investments in revenue generating initiatives.

The Hospital has approved a $200 line of credit to be made available to the Trust, which bears interest at market rates. As of March 31, 2021, $Nil has been withdrawn by Health Ventures Business Trust.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2021, with comparative information for 2020
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2021	Total 2020
Revenue:						
Ontario Ministry of Health	$ 75,116	8,583	381	16,855	100,935	102,386
Ontario Ministry of Children, Community and Social Services	-	4,546	-	-	4,546	4,585
Other patient revenue	1,753	-	-	14	1,767	2,193
Other revenues and recoveries	3,765	9	-	22	3,796	4,385
Grant amortization	392	17	-	5	414	445
	81,026	13,155	381	16,896	111,458	113,994
Expenses:						
Salaries and purchased services	50,166	6,547	296	10,336	67,345	69,173
Employee benefits	12,228	1,593	46	2,435	16,302	17,120
Medical staff	1,124	-	-	1,827	2,951	2,839
Medical and surgical supplies	761	1	-	6	768	761
Drugs and medical gases	1,229	-	-	-	1,229	1,025
Supplies and facilities	14,203	4,997	39	2,292	21,531	21,085
Amortization of capital assets	1,670	17	-	-	1,687	1,075
	81,381	13,155	381	16,896	111,813	113,078
Excess (deficiency) of revenue over expenses for the year before undernoted items	(355)	-	-	-	(355)	916
Ontario Ministry of Health pandemic funding	533	-	-	-	533	-
Other items (note 15)	(3,159)	-	-	-	(3,159)	(2,125)
Deficiency of revenue over expenses for the year per Ministry of Health purposes	(2,981)	-	-	-	(2,981)	(1,209)
Ontario Ministry of Health working capital funding (note 17)	1,401	-	-	-	1,401	-
Deficiency of revenue over expenses before building amortization and interest	(1,580)	-	-	-	(1,580)	(1,209)
Interest, net building and land improvements amortization	(2,287)	-	-	-	(2,287)	(1,763)
Deficiency of revenues over expenses for the year	$ (3,867)	-	-	-	(3,867)	(2,972)