Financial Statements of

QUEENSWAY CARLETON HOSPITAL

Year ended March 31, 2021

QUEENSWAY CARLETON HOSPITAL

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Year ended March 31, 2021

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of Queensway Carleton Hospital (the "Hospital") as at and for the year ended March 31, 2021 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Hospital's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board of Directors' approval of the financial statements.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, independent external auditors appointed by the Hospital. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Hospital's financial statements.

June 17, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Queensway Carleton Hospital

Opinion

We have audited the financial statements of Queensway Carleton Hospital (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 changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and 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, changes in net assets, remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

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 “***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 ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Hospital 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 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 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 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

Ottawa, Canada

June 17, 2021

QUEENSWAY CARLETON HOSPITAL

Statement of Financial Position

March 31, 2021, with comparative information for 2020
(In thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash	$ 6,746	$ 31,122
Short-term investments (note 4)	30,250	10,250
Accounts receivable (note 5)	23,120	6,959
Due from Queensway Carleton Hospital Foundation (note 14)	143	148
Inventories	4,004	1,359
Prepaid expenses	3,165	2,056
	67,428	51,894
Cash held for capital purposes	13,457	13,506
Capital assets (note 6)	226,897	228,970
	$ 307,782	$ 294,370
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 52,062	$ 39,756
Accrued vacation and overtime pay	6,593	4,929
Deferred revenue (note 8)	173	–
	58,828	44,685
Employee future benefits liability (note 9)	6,571	6,444
Deferred contributions related to capital assets (note 10)	199,252	200,403
	264,651	251,532
Net assets:		
Invested in capital assets (note 11)	41,102	42,073
Unrestricted	2,029	765
	43,131	42,838
Accumulated remeasurement losses	–	–
	43,131	42,838
Commitments, guarantees and contingent liabilities (notes 12 and 13)		
	$ 307,782	$ 294,370

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

QUEENSWAY CARLETON HOSPITAL

Statement of Operations

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

	2021	2020
Revenue:		
Funding from governments (note 18)	$ 208,703	$ 171,100
Inpatient and outpatient	4,942	7,085
Ontario Health Insurance Plan	12,806	15,131
Preferred accommodation	2,835	4,469
Recoveries and other	9,224	10,629
Amortization of deferred contributions related to major equipment	6,823	6,655
	245,333	215,069
Expenses:		
Salaries and benefits	171,183	150,342
Medical and surgical supplies	14,361	12,708
Drugs	3,957	4,251
Supplies and other	43,859	35,749
Amortization of major equipment	9,436	8,472
	242,796	211,522
Excess of revenue over expenses before undernoted items	2,537	3,547
Amortization of deferred contributions related to buildings	7,821	8,147
Amortization of buildings and other	(10,065)	(9,597)
	(2,244)	(1,450)
Excess of revenue over expenses	$ 293	$ 2,097

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	$ 42,073	$ 765	$ 42,838	$ 40,741
Excess of revenue over expenses	–	293	293	2,097
Net change in net assets invested in capital assets (note 11)	(971)	971	–	–
Balance, end of year	$ 41,102	$ 2,029	$ 43,131	$ 42,838

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL

Statement of Remeasurement Gains and Losses

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

	2021	2020
Balance, beginning of year	$ –	$ (7)
Decrease in unrealized losses attributable to interest rate swaps	–	7
Balance, end of year	$ –	$ –

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 293	$ 2,097
Items not involving cash:		
Amortization of capital assets	19,501	18,069
Amortization of contributions related to capital assets	(14,644)	(14,802)
Net change in employee future benefits liability (note 9)	127	111
Net change in non-cash operating working capital (note 16)	(5,767)	(1,871)
	(490)	3,604
Investing activities:		
Purchase of short-term investments	(30,250)	(22,250)
Maturity of short-term investment	10,250	50,000
Net change in cash held for capital purposes	49	(5,047)
	(19,951)	22,703
Financing activities:		
Principal repayments of long-term debt	–	(511)
Capital activities:		
Purchase of capital assets, net of disposals	(17,428)	(23,051)
Contributions received for capital assets, net of disposals	13,493	14,060
	(3,935)	(8,991)
Increase (decrease) in cash	(24,376)	16,805
Cash, beginning of year	31,122	14,317
Cash, end of year	$ 6,746	$ 31,122

See accompanying notes to the financial statements.

1. Nature of entity:

The Queensway Carleton Hospital (the “Hospital”) is a provincially funded, charitable, not-for-profit organization providing health care within various clinical programs in an inpatient and outpatient setting. It is a secondary referral hospital that provides primary and secondary services to the residents of the City of Ottawa and specifically to the West Ottawa community and portions of the Ottawa Valley.

The Hospital is incorporated without share capital under the Ontario Business Corporations Act. The Hospital is a charity under the Income Tax Act, and as such, is exempt from income taxes.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health ("MOH") and Champlain Local Health Integrated Network (“LHIN”). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. The final amount of operating revenue recorded cannot be confirmed until the MOH has reviewed the Hospital’s financial and statistical returns for the year. Any adjustments arising from the MOH review are recorded in the period in which the adjustment is made.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets, together with any interest earned thereon, are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Health Insurance Plan ("OHIP"), patient services, preferred accommodation, marketed services, recoveries and other are recognized when the goods are sold or the service is provided.

Investment income is included in the statement of operations and includes dividend and interest income, realized gains and losses on disposal of investments, amortization of bond discounts and, if applicable, charges for other than temporary impairment of investments. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

2. Significant accounting policies (continued):

(b) Financial instruments:

The Hospital's financial instruments are measured as follows:

Cash	Fair value
Short-term investments	Amortized cost
Accounts receivable	Amortized cost
Due from Queensway Carleton Hospital Foundation	Amortized cost
Cash held for capital purposes	Fair value
Accounts payable and accrued liabilities	Amortized cost
Accrued vacation and overtime pay	Amortized cost

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized. When the financial instrument is derecognized, the unrealized gains and losses previously recognized in the statement as remeasurement gains and losses are reversed and recognized in the statement of operations.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All non-derivative 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 reversed from the statement of remeasurement gains and losses.

(c) Inventories:

Inventories of supplies are valued at the lower of average cost and replacement cost, less a provision for any obsolete or unusable inventory on hand.

(d) Investments:

Purchases of investments are recorded on the settlement date.

(e) Capital assets:

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments. Minor equipment replacements are expensed in the year of replacement. Construction in progress comprises construction, development costs and interest capitalized during the construction period. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

2. Significant accounting policies (continued):

(e) Capital assets (continued):

When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis over the following useful lives:

Asset	Useful life
Land improvements	up to 25 years
Buildings	up to 40 years
Building service equipment	up to 35 years
Major equipment	up to 10 years

Construction in progress and various projects in process are not amortized until the project is complete and the assets come into use.

(f) Employee future benefits:

The Hospital accrues its obligations for benefit plans as the employees render the services necessary to earn these benefits. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, and management's best estimate of retirement ages of employees and expected health and dental care costs. The most recent actuarial valuation of the benefit plans was performed as at April 1, 2019 and extrapolated to March 31, 2021. The next required valuation will be as at April 1, 2022.

Actuarial gains or losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains or losses over the accrued benefit obligation is amortized over the expected average remaining service period of active employees. The expected average remaining service period of the active employees covered by the benefit plans is fifteen years (2020 - fifteen years).

Adjustments arising from plan amendments are recognized immediately in the period of plan amendment.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

2. Significant accounting policies (continued):

(g) Donated services and assets:

Volunteers donate significant time each year to assist the Hospital in carrying out its services. These donated services are not recognized in the financial statements because of the difficulty associated with measurement.

Contributions of capital assets are recorded at fair value at the date of contribution.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include judgments as to the valuation of the employee future benefits liability. Actual results could differ from these estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

3. Capital management:

The Hospital defines its capital as deferred contributions related to capital assets and its net assets.

Through the management of its capital, the Hospital strives to maintain and expand capacity, where possible, to continue operations, including the renewal of capital assets, in order to remain a viable charitable, not-for-profit organization providing health care services. The Hospital relies on grants from the MOH and other government agencies as well as community contributions through the Queensway Carleton Hospital Foundation (note 14). The Hospital's definition of capital has not changed from the prior year, and the Hospital has complied with the conditions and requirements of capital grants and contributions throughout the year.

(Tabular amounts in thousands of dollars)

4. Short-term investments:

Short-term investments consist of:

	2021 Fair value	2021 Cost and carrying value
Bank term deposit, face value $10,250,000, maturity date April 5, 2021	$ 10,250	$ 10,250
Bank term deposit, face value $10,250,000, maturity date April 27, 2021	10,000	10,000
Bank term deposit, face value $10,250,000, maturity date April 27, 2021	10,000	10,000
Total short-term investments	$ 30,250	$ 30,250

	2020 Fair value	2020 Cost and carrying value
Bank term deposit, face value $10,250,000, maturity date March 29, 2021	$ 10,250	$ 10,250
Total short-term investments	$ 10,250	$ 10,250

The Hospital's bank term deposits with a total face value of $30,250,000 (2020 - $10,250,000), have interest rates of 1.21% to 1.45% (2020 - 1.20%).

(Tabular amounts in thousands of dollars)

5. Accounts receivable:

	2021	2020
Accounts receivable from patients	$ 4,790	$ 4,243
Ontario Ministry of Health	15,147	–
Eastern Ontario Regional Laboratory Association (note 14)	169	136
Champlain Health Supply Services (note 14)	611	673
Other	4,235	3,000
	24,952	8,052
Less allowance for doubtful accounts	(1,832)	(1,093)
	$ 23,120	$ 6,959

The allowance for doubtful accounts relates to amounts receivable from patients and other sources and is determined based on prior experience with similar accounts, and the Hospital's estimate of potential uncollectible amounts.

6. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land improvements	$ 3,954	$ 3,760	$ 194	$ 401
Buildings	198,086	60,338	137,748	132,381
Building service equipment	106,681	58,620	48,061	51,349
Major equipment	136,644	106,315	30,329	32,666
Construction-in-progress	10,565	–	10,565	12,173
	$ 455,930	$ 229,033	$ 226,897	$ 228,970

Cost and accumulated amortization as at March 31, 2020 amounted to $438,964,000 and $209,994,000, respectively.

7. Line of credit:

The Hospital has an available line of credit of $10,000,000 (2020 - $10,000,000) with a corporate bank, of which no amount was drawn against at March 31, 2021. This line of credit is unsecured and bears interest at prime less 0.85% (2020 - prime less 0.85%).

(Tabular amounts in thousands of dollars)

8. Deferred revenue:

		2021		2020
Balance, beginning of year	$	–	$	2,906
Amount received during the year		209,548		174,337
Amount recognized as revenue		(218,761)		(173,049)
Amount reclassified to accounts payable		(3,713)		593
Amount reclassified to accounts receivable		15,151		(269)
Amount reclassified to deferred contributions related to capital assets		(2,052)		(4,518)
Balance, end of year	$	173	$	–

9. Employee future benefits:

The Hospital has defined post-retirement benefit plans covering certain employee groups. These plans provide health and dental benefits to eligible employees up to the age of 65.

The reconciliation of the funded status of the benefit plans to the amount recorded in the financial statements is as follows:

		2021		2020
Accrued benefit obligation and funded status - plan deficit	$	5,990	$	5,788
Unamortized actuarial losses		581		656
Employee future benefits liability	$	6,571	$	6,444

The following table provides details of the net change in employee future benefits liability during the year ended March 31:

		2021		2020
Benefit expense, included in the statement of operations	$	326	$	287
Payments made by the Hospital during the year		(199)		(176)
Net change in employee future benefits liability	$	127	$	111

(Tabular amounts in thousands of dollars)

9. Employee future benefits (continued):

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations and net benefit costs are as follows:

	2021	2020
Discount rate for calculation of net benefit costs	3.00%	2.90%
Discount rate for calculation of accrued benefit obligation	2.90	3.00
Dental costs rate increase	3.00	3.00
Extended health care costs rate increase	5.20	5.20
Expected average remaining service life of employees	15 years	15 years

10. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized balance of grants and donations received for the purchase of capital assets, plus any interest earned thereon. The amortization of deferred contributions related to capital assets is recorded as revenue in the statement of operations. The changes for the year are as follows:

	2021	2020
Balance, beginning of year	$ 200,403	$ 201,145
Contributions received during the year, net of disposals:		
Ontario Ministry of Health (net contributions received less payable)	9,019	5,890
Queensway Carleton Hospital Foundation	2,552	4,574
Other	1,859	3,518
Interest earned on cash held for capital purposes	63	78
Amortization to revenue during the year	(14,644)	(14,802)
Balance, end of year	$ 199,252	$ 200,403

The balance of unamortized and unspent capital funds consists of the following:

	2021	2020
Unspent capital contributions	$ 13,457	$ 13,506
Unamortized capital contributions	185,795	186,897
	$ 199,252	$ 200,403

(Tabular amounts in thousands of dollars)

11. Net assets invested in capital assets:

Net assets invested in capital assets are calculated as follows:

	2021	2020
Capital assets	$ 226,897	$ 228,970
Less amounts financed by:		
Deferred contributions	(185,795)	(186,897)
Net assets invested in capital assets	$ 41,102	$ 42,073

Net change in net assets invested in capital assets during the year is calculated as follows:

	2021	2020
Purchase of capital assets, net of disposals	$ 17,428	$ 23,051
Amounts funded by deferred contributions	(13,493)	(14,060)
Changes in unspent contributions	(49)	5,047
Repayment of long-term debt	–	511
Amortization of deferred contributions related to capital assets	14,644	14,802
Amortization of capital assets	(19,501)	(18,069)
Net change in net assets invested in capital assets	$ (971)	$ 11,282

12. Commitments and guarantees:

(a) Operating leases:

In July 1973, the Hospital entered into a lease with the National Capital Commission ("NCC") for approximately 50 acres on which the Hospital is located. The lease was amended in November 2006 to extend it to July 2048 at an annual lease cost of $1.00.

(b) Hospital redevelopment project:

During the year, the Hospital received approval from the MOH to award the construction contract for the Mental Health project. The total project is estimated to cost $13,395,000 including architect and related fees and equipment. The MOH has approved a maximum capital grant for the project of $9,059,000 towards this cost. The balance of the project will be funded by the Queensway Carleton Hospital Foundation and the Queensway Carleton Hospital. The project is expected to be completed by March 31, 2024.

12. Commitments and guarantees (continued):

(c) Bank loan:

The Hospital has guaranteed a bank loan obtained by the Queensway Carleton Hospital Foundation for the maximum amount of $12,375,000, excluding interest and expenses. The Foundation used the proceeds of this loan to pay the license fee disclosed in note 14. The Hospital is not aware of any facts which would cause a default of the loan by the Foundation. At March 31, 2021, the Foundation had an outstanding balance of $2,571,000 (2020 - $4,012,000).

13. Contingent liabilities:

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2021, management believes the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have material effect on the Hospital's financial position.

To the extent permitted by law, the Hospital has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service if they acted honestly and in good faith with a view to the best interest of the Hospital. The Hospital has purchased directors' and officers’ liability insurance with respect to this indemnification. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.

A group of hospitals, including the Hospital, formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2021.

13. Contingent liabilities (continued):

The Hospital is contingently liable under three (3) letter of credits:

i) A letter of credit in the amount of $217,000 as required by the Hospital's site plan agreement with the City of Ottawa related to the 2014 completion of the construction of the Hospital's Phase 111A Redevelopment project.

ii) A letter of credit in the amount of $14,000 as required by the Hospital's site plan agreement with the City of Ottawa for a 47-space surface parking lot.

iii) A letter of credit for $50,000 as required by the Hospital's site plan agreement with the City of Ottawa related to the Mental Health project per note 12 (b).

14. Related party transactions:

(a) Queensway Carleton Hospital Foundation:

The Hospital has an economic interest in the Queensway Carleton Hospital Foundation (the "Foundation"). The Foundation is incorporated without share capital under the Ontario Business Corporations Act. The Foundation is a charity under the Income Tax Act, and as such, is exempt from income taxes. The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Hospital.

During the year ended March 31, 2021, the Foundation contributed $2,552,000 (2020 - $4,574,000) to the Hospital for capital purposes. In addition, the Foundation contributed $25,000 (2020 - $30,000) in other contributions. As at March 31, 2021, the Foundation has a fund balance of $15,914,000 (2020 - $13,666,000).

In 2009, the Hospital signed a twenty-year License Agreement with the Foundation whereby the Foundation has the exclusive right to operate the parking facilities in exchange for a one-time upfront license fee in the amount of $11,927,000 plus applicable taxes, equal to the fair value of the parking facilities at the time of the agreement. In connection with the License Agreement, in 2009, the Hospital and the Foundation signed two separate agreements whereby the Foundation purchases services from the Hospital for maintenance/repair and management of the parking facilities. For the year ended March 31, 2021, the Foundation paid the Hospital $736,000 (2020 - $887,000) for maintenance and repairs and $115,000 (2020 - $238,000) for management of the parking facilities.

14. Related party transactions (continued):

(b) Ottawa Hospitals Food Association (formerly Hospital Food Services Inc.):

The Hospital was a founding member of Healthcare Food Services. Inc. (“HFS”). HFS was established to provide food services, respectively to member hospitals on a cost of service basis.

For the year ended March 31, 2021, the Hospital paid $Nil (2020 - $26,000) to HFS for food services. These amounts have been included in supplies and other on the statement of operations.

On May 13, 2019, the Board of Directors of HFS finalized the sale of substantially all of the assets of HFS to a third party purchaser. As unanimously agreed upon by the Member Hospitals and the Board of Directors of HFS, the net proceeds of the HFS sale will be distributed to each of the member Hospital’s respective Foundations. Effective the date of sale, HFS changed its operating name to Ottawa Hospitals Food Association (“OHFA”).

Also, as part of the closing conditions, the Hospital has committed to continue to purchase food products through an agreed upon supply agreement for three years ending May 2022.

On November 8, 2019, The Board Directors of OHFA approved a motion to distribute $10,000,000 to the member hospital Foundation’s based on their share. The Queensway Carleton Hospital Foundation’s share of the distribution is 6.05%, and the Foundation received a donation of $605,000 in March 2020.

On June 15, 2020, The Board Directors of OHFA approved a motion to distribute $2,500,000 to the member hospital Foundation’s based on their share. The Queensway Carleton Hospital Foundation’s share of the distribution is 6.05%, and the Foundation received a donation of $151,000 in June 2020.

At March 31, 2021, the Hospital had an economic interest of $183,000 in OHFA (2020 - $334,000) of total net assets of $3,022,000 (2020 - $5,517,000).

(c) Ottawa Regional Hospital Linen Services Incorporated:

The Hospital is a founding member Ottawa Regional Hospital Linen Services Incorporated ("ORHLS"). ORHLS was established to provide laundry and linen services to member hospitals on a cost of service basis. ORHLS is incorporated without share capital under the Ontario Business Corporations Act. ORHLS is a not-for-profit organizations under the Income Tax Act (Canada), and as such, is exempt from income taxes. The Hospital maintains an economic interest in ORHLS.

At March 31, 2021, the Hospital had an economic interest in ORHLS of $1,836,000 (2020 - $1,175,000) of total net assets of $14,513,000 (2020 - $10,373,000).

14. Related party transactions (continued):

(c) Ottawa Regional Hospital Linen Services Incorporated (continued):

For the year ended March 31, 2021, the Hospital provided a total of $2,709,000 (2020 - $1,950,000) to ORHLS for linen services. This amount has been included in supplies and other on the statement of operations.

Included in accounts payable at March 31, 2021 is a payable to ORHLS of $204,000 (2020 - $189,000).

(d) Eastern Ontario Regional Laboratory Association:

The Hospital is a founding member of Eastern Ontario Regional Laboratory Association ("EORLA"). EORLA was established to provide laboratory services to member hospitals on a cost of service basis. EORLA is incorporated without share capital under the Ontario Business Corporations Act. EORLA is a not-for-profit organization under the Income Tax Act (Canada), and as such, is exempt from income taxes. The Hospital maintains an economic interest in EORLA.

EORLA charges member hospitals, including the Hospital, on a cost-per-test basis. Included in supplies and other expenses are $7,814,000 (2020 - $7,922,000) in laboratory charges from EORLA.

Included in accounts receivable at March 31, 2021 is a receivable from EORLA of $169,000 (2020 - $136,000).

Included in accounts payable at March 31, 2021 is a payable to EORLA of $29,000 (2020 - $50,000).

(e) Champlain Health Supply Services:

The Hospital is a founding member of Champlain Health Supply Services ("CHSS"). CHSS was established to provide sourcing, procurement and logistics services to member hospitals within the Champlain LHIN. CHSS is incorporated without share capital under the Ontario Business Corporations Act. CHSS is a not-for-profit organization under the Income Tax Act, and as such, is exempt from income taxes. The Hospital maintains an economic interest in CHSS.

Included in supplies and other expenses are $129,000 (2020 - $154,000) for the Hospital's portion of CHSS' operating expenses.

Included in accounts payable at March 31, 2021 is a payable to CHSS of $129,000 (2020 - $154,000).

Included in accounts receivable at March 31, 2021 is a receivable from CHSS of $611,000 (2020 - $673,000) for payments made by the Hospital on behalf of CHSS.

(Tabular amounts in thousands of dollars)

15. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan.

The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2020 indicated the Plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $9,247,000 (2020 - $8,772,000) and are included in the statement of operations.

16. Net change in non-cash operating working capital:

	2021	2020
Accounts receivable	$ (16,161)	$ 518
Due from Queensway Carleton Hospital Foundation	5	274
Inventories	(2,645)	(424)
Prepaid expenses	(1,109)	(341)
Accounts payable and accrued liabilities	12,306	850
Accrued vacation and overtime pay	1,664	158
Deferred revenue	173	(2,906)
Net change in non-cash operating working capital	$ (5,767)	$ (1,871)

17. Financial instruments:

(a) Fair value:

The carrying values of receivable from governments, accounts receivable, accounts payable and accrued liabilities, and accrued vacation and overtime pay approximates fair value due to the relatively short period to maturity of the instruments.

The fair value of the due from Queensway Carleton Hospital Foundation balance is not determinable due to the related party nature of the receivable.

(b) Fair value hierarchy:

Financial instruments are grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash (including cash held for capital purchases) and short-term investments are classified as a level 1 financial asset.

There were no transfers between levels for the year ended March 31, 2021.

(c) Financial instrument risk management:

The Hospital is exposed to various financial risks through its transactions and holdings in financial instruments.

Credit risk:

Credit risk arises from the potential that a counterparty to an investment will fail to perform its obligations. Concentrations of credit risk exists when a significant proportion of investments are invested in securities with similar characteristics or subject to similar economic, political or other conditions.

17. Financial instruments (continued):

(c) Financial instrument risk management (continued):

Credit risk (continued):

The Hospital is exposed to credit risk on its accounts receivable and receivable from Governments. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable and receivable from Governments.

The Hospital considers receivables to be past due when they are over 90 days old. At March 31, 2021, the balance of receivables over 90 days is $687,000 (2020 - $489,000). Of this amount, $23,000 (2020 - $137,000) is receivable from partner hospital organizations. The Hospital does not consider these amounts to be impaired due to the nature of the receivables and the nature of the counterparty. The remaining balance relates to patient and other receivables. The Hospital actively manages and monitors these receivables balances. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet all cash flow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Accounts payable and accrued vacation and overtime pay mature within one year.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and other price 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 due to changes in market interest rates.

The Hospital is not exposed to significant interest rate risks arising from its financial instruments. The Hospital has established strict guidelines that are monitored regularly and does not hold or issue derivative financial instruments for trading or speculative purposes.

Currency and other price risk:

The Hospital is not exposed to significant currency or other price risk.

(Tabular amounts in thousands of dollars)

18. Ministry of Health pandemic funding

In connection with the ongoing coronavirus pandemic (“COVID-19), the MOH 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 MOH 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 MOH 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 MOH 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 MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital’s operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information.

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

Funding for incremental COVID-19 operating expenses	$	19,149
Funding for revenue losses resulting from COVID-19		7,480
Other COVID-19 Funding, including employee and physician pandemic pay, and assessment centre		7,709
	$	34,338

In addition to the above, the Hospital has also recognized $3,441,000 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

19. Impact of Coronavirus COVID-19 pandemic:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market and societal 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.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the next 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.

20. Comparative information:

Certain comparative information has been reclassified to conform with the presentation in the current year.