

Consolidated Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2020

THE OTTAWA HOSPITAL

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Year ended March 31, 2020

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KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The Ottawa Hospital and the Ministry of Health of Ontario

Opinion

We have audited the consolidated financial statements of The Ottawa Hospital, which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of The Ottawa Hospital as at March 31, 2020, and its consolidated results of operations and its consolidated 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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of The Ottawa 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors’ report thereon, included in a document likely to be entitled “Annual Report”

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Ottawa 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 Ottawa Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Ottawa 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 Ottawa 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 Ottawa 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 Ottawa 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 24, 2020

THE OTTAWA HOSPITAL

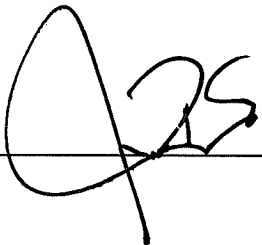
Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash	\$ 51,890	\$ 58,078
Short-term investments	1,754	2,037
Accounts receivable (note 2)	126,777	89,181
Inventories	18,296	16,981
Prepaid expenses	14,609	12,252
	<u>213,326</u>	<u>178,529</u>
Capital grants receivable (note 2)	7,847	53,505
Assets restricted for capital purchases (note 3)	125,061	114,264
Capital assets (note 4)	906,589	857,522
Funds held in trust (note 5)	26,966	28,657
	<u>\$ 1,279,789</u>	<u>\$ 1,232,477</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 259,110	\$ 239,232
Deferred contributions	18,283	13,940
Current portion of long-term debt (note 8)	10,946	7,278
	<u>288,339</u>	<u>260,450</u>
Employee future benefits (note 7)	68,274	65,315
Long-term debt (note 8)	136,268	83,005
Derivative liability (note 8)	12,636	4,029
Other long-term liability (note 4(c))	—	50,807
Deferred contributions related to capital assets (note 9)	614,994	589,610
Funds held in trust (note 5)	26,966	28,657
Net assets (deficiency):		
Investment in capital assets (note 10)	209,084	241,445
Unrestricted deficiency	(64,136)	(86,812)
	<u>144,948</u>	<u>154,633</u>
Accumulated remeasurement losses	(12,636)	(4,029)
	<u>132,312</u>	<u>150,604</u>
Commitments, contingencies and guarantees (note 14)		
	<u>\$ 1,279,789</u>	<u>\$ 1,232,477</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Chairman
  President and CEO

THE OTTAWA HOSPITAL

Consolidated Statement of Operations

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Revenue:		
Funding from Governments	\$ 1,097,861	\$ 1,068,180
Patient services	161,602	156,383
Recoveries and other operating	87,987	75,311
Preferred accommodation	11,470	11,618
Marketed services	62,617	14,675
Investment	2,913	2,519
Amortization of deferred contributions related to major equipment (note 9)	12,563	11,594
ConnectingOntario Northern and Eastern Region program (note 15)	—	3,730
	1,437,013	1,344,010
Expenses:		
Salaries and wages	664,223	637,091
Employee benefits	183,622	174,048
Supplies and other operating	282,117	241,762
Medical and surgical supplies	115,067	110,254
Medical staff remuneration	70,960	67,722
Drugs	87,926	76,638
Interest	1,728	799
Amortization of major equipment	36,438	29,858
ConnectingOntario Northern and Eastern Region program (note 15)	—	3,730
	1,442,081	1,341,902
Excess (deficiency) of revenue over expenses before undernoted items	(5,068)	2,108
Parking revenue	19,776	19,984
Parking expenses	(8,894)	(9,859)
Amortization of deferred contributions related to buildings (note 9)	25,954	21,547
Amortization of buildings and land improvements	(41,453)	(36,622)
Deficiency of revenue over expenses	\$ (9,685)	\$ (2,842)

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	Investment in capital assets	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ 241,445	\$ (86,812)	\$ 154,633	\$ 124,875
Deficiency of revenue over expenses	—	(9,685)	(9,685)	(2,842)
Net change in investment in capital assets (note 10)	(32,361)	32,361	—	—
Contribution of land (note 4(d))	—	—	—	32,600
Balance, end of year	\$ 209,084	\$ (64,136)	\$ 144,948	\$ 154,633

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Accumulated remeasurement losses, beginning of year	\$ (4,029)	\$ (258)
Unrealized losses attributable to: Derivative (note 8)	(8,607)	(3,771)
Accumulated remeasurement losses, end of year	\$ (12,636)	\$ (4,029)

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Cash provided by (used for):		
Operating activities:		
Deficiency of revenue over expenses	\$ (9,685)	\$ (2,842)
Items not involving cash:		
Amortization of capital assets	77,753	66,480
Amortization of deferred contributions related to capital assets (note 9)	(38,517)	(33,141)
Loss on disposal of capital assets	138	128
Net increase in employee future benefits (note 7)	2,959	2,249
Net increase (decrease) in other long-term liability	(50,807)	19,780
Net change in non-cash operating working capital (note 11)	(16,764)	50,074
	(34,923)	102,728
Financing activities:		
Deferred contributions related to capital assets received (note 9)	63,901	50,778
Repayment of long-term debt	(5,523)	(1,610)
Proceeds from long-term debt	62,454	59,196
	120,832	108,364
Investing activities:		
Purchase of capital assets	(126,958)	(136,007)
Net decrease (increase) in capital grants receivable	45,658	(8,698)
Net increase in assets restricted for capital purchases	(10,797)	(16,243)
	(92,097)	(160,948)
Net increase (decrease) in cash during the year	(6,188)	50,144
Cash, beginning of year	58,078	7,934
Cash, end of year	\$ 51,890	\$ 58,078
Consisting of:		
Operating cash	\$ 40,931	\$ 49,257
Restricted cash for HIROC Claim Defense Fund (note 14 (b))	10,959	8,821
	\$ 51,890	\$ 58,078

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements

Year ended March 31, 2020
(In thousands of dollars)

The Ottawa Hospital (the "Hospital") is an academic health sciences centre and is principally involved in providing health care services to the Champlain Local Health Integration Network. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly, is exempt from income taxes.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and reflect the following significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements reflect the assets, liabilities and operations of the Hospital. The Hospital consolidates the financial activities of controlled entities that provide clinical services.

These consolidated financial statements include the assets, liabilities and operations of the University of Ottawa Heart Institute, a controlled entity. The University of Ottawa Heart Institute provides cardiac services to the patients of the Hospital. The business relationship between the Hospital and the University of Ottawa Heart Institute is governed by a service agreement pursuant to which clinical and administrative support is provided at fair market value, and premises are provided at no charge by the Hospital. The University of Ottawa Heart Institute is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes.

These consolidated financial statements do not include the assets, liabilities or operations of The Ottawa Hospital Residence Corporation, a controlled entity, nor the following entities where the Hospital has an economic interest including: The Ottawa Hospital Foundation, Ottawa Hospital Research Institute, Eastern Ontario Regional Laboratory Association Inc., its auxiliaries, Ottawa Hospitals Food Association, Ottawa Regional Hospital Linen Services Incorporated, and Champlain Health Supply Services. The summarized financial information of The Ottawa Hospital Residence Corporation is disclosed in note 13.

(b) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations.

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 of Ontario. 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.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

The Hospital receives funding for operations for certain programs from the Ministry of Health of Ontario. The final amount of operating revenue recorded cannot be determined until the Ministry of Health of Ontario has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the Ministry of Health of Ontario review are recorded in the period in which the adjustments are 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.

Externally restricted contributions are recognized as revenue when the conditions for the restriction have been met. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenues from the patient services, preferred accommodation, marketed services and recoveries and other operating are recognized when the goods are sold or the services are provided.

Investment income recorded in the statement of operations consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the consolidated financial statements.

(d) Inventories:

Inventories are recorded at average cost and are valued at lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

(e) Financial instruments:

The Hospital's financial instruments consist of cash, short-term investments, accounts receivable, capital grants receivable, assets restricted for capital purchases, derivative liability, funds held in trust, accounts payable and accrued liabilities and long-term debt.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

The Hospital's financial instruments are measured as follows:

Cash	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Capital grants receivable	amortized cost
Assets restricted for capital purchases	fair value
Derivative liability	fair value
Funds held in trust	fair value
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

Unrealized changes in fair value in the derivative liability 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. Unrealized changes in the fair value of the financial assets in Funds held in trust and assets restricted for capital purchases are recorded in the corresponding liability.

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.

(f) Capital assets:

Purchased capital assets, other than minor equipment, and assets acquired under capital lease are recorded at cost. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment replacements are expensed in the year of purchase. 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. 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.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(f) Capital assets (continued):

Land is not amortized due to its infinite life. Construction in progress is not amortized until the project is complete and the assets come into use. Capital assets are amortized on a straight-line basis over their expected useful lives as follows:

Land improvements	5 to 25 years
Leasehold improvements	Term of lease plus expected extension of renewal option
Buildings	10 to 50 years
Building service equipment	5 to 25 years
Health information system	15 years
Major equipment	5 to 20 years
Software and network infrastructure	5 to 10 years

(g) Funds held in trust:

The Hospital holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Hospital has no discretion over such transactions. Resources received in connection with such trust fund transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to the liability not expenses.

(h) Employee benefit plans:

The Hospital provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

The Hospital accrues its obligations for employee benefit plans as the employees render the services necessary to earn the benefits. The cost of non-pension post-retirement and post-employment 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 care costs. The most recent actuarial valuation was performed as at March 31, 2019. The next scheduled valuation will be as at March 31, 2022.

Adjustments arising from plan amendments, including past service costs, are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the average remaining service period of active employees.

The average remaining service period of active employees covered by the employee benefit plan is 17.1 years (2019 - 17.6 years).

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

1. Significant accounting policies (continued):

(h) Employee benefit plans (continued):

The Hospital is an employer member of the Healthcare 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.

(i) Use of estimates:

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these consolidated financial statements include the assumptions underlying the employee future benefit liability calculation and the valuation of the derivative liability.

2. Accounts and capital grants receivable:

(a) Accounts receivable:

	2020	2019
Accounts receivable from patients	\$ 60,473	\$ 43,233
Ministry of Health of Ontario	22,072	17,108
Eastern Ontario Regional Laboratory Association Inc. (note 13(d))	6,197	4,963
Other	42,560	27,694
	131,302	92,998
Less allowance for doubtful accounts	(4,525)	(3,817)
	\$ 126,777	\$ 89,181

The allowance for doubtful accounts relates to accounts receivable from patients and other receivables and is determined based on prior experience with similar accounts.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

2. Accounts and capital grants receivable (continued):

(b) Capital grants receivable:

Capital grants receivable relate to grants restricted in use for capital asset acquisitions or projects, which have been approved by the funder and are receivable by the Hospital at year-end. These amounts have also been included in deferred contributions related to capital assets.

	2020	2019
Ministry of Health of Ontario	\$ —	\$ 46,055
Eastern Ontario Regional Laboratory Association Inc. (note 13(d))	5,494	5,494
The Ottawa Hospital Foundation (note 13(b))	2,001	1,956
Other	352	—
	\$ 7,847	\$ 53,505

3. Assets restricted for capital purchases:

Assets restricted for capital purchases is comprised of \$62,496 (2019 - \$62,581) related to funding received and restricted for the purpose of capital purchases and \$62,565 (2019 - \$51,683) in net parking revenue that has been restricted for capital purchases. The funds are held with the Hospital's bank, earning interest at a rate of prime less 1.6% (2019 - 1.6%) and are classified as long-term as the associated cash outflow is not expected to occur within one year. At March 31, 2020, an additional amount of \$2,207 (2019 - \$1,235) restricted for capital purchases was receivable by the Hospital from the Ottawa Hospital Foundation.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

(In thousands of dollars)

4. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 34,146	\$ —	\$ 34,146	\$ 34,149
Land improvements	5,336	5,336	—	—
Leasehold improvements	310	186	124	186
Buildings	981,028	421,895	559,133	502,827
Building service equipment	191,122	131,947	59,175	58,256
Health information system	130,243	4,371	125,872	74,973
Major equipment	588,114	481,648	106,466	102,115
Software and network infrastructure	1,680	773	907	1,165
Construction-in-progress	20,766	—	20,766	83,851
	\$ 1,952,745	\$ 1,046,156	\$ 906,589	\$ 857,522

- (a) Cost and accumulated amortization of capital assets at March 31, 2019 amounted to \$1,825,925 and \$968,403, respectively. During the year ended March 31, 2020, the Hospital disposed of equipment with a cost of \$138 (2019 - \$370) and accumulated amortization of \$Nil (2019 - \$242) for proceeds of \$Nil (2019 - \$Nil), resulting in a loss of \$138 (2019 - \$128).
- (b) The health information system project is the implementation of a comprehensive, integrated information system designed to enhance the processing of hospital services. The project was completed and capitalized in 2020 and amortization of \$4,371 was recorded. Interest was recorded and capitalized until the asset was put in to use. The interest capitalized amounted to \$1,895 (2019 – \$1,116).
- (c) Construction-in-progress represents costs incurred to date for construction projects at the Hospital: In November 2014, the Hospital entered into a project agreement with a third party construction company to build and finance a facility expansion project which is primarily funded by the Ministry of Health. As at March 31, 2020, the amount included in the construction-in-progress related to this project was \$Nil (2019 - \$72,500). On January 18, 2020, the project achieved Substantial Completion (as defined in the project's agreement), and therefore the related assets were transferred from construction in progress to the appropriate capital asset categories and were amortized in the current fiscal year.
- (d) Land includes a contribution from the Government of Canada in 2019 with an estimated fair value at the time of contribution of \$32,600. The mechanism for this contribution of land is a 99-year lease between the Government and the Hospital with annual lease payments of one dollar contingent on the land being used for the construction and operation of the new hospital campus.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

5. Funds held in trust:

Funds held in trust are held with the Hospital's bank and represent the aggregate balance of funds held in trust for third parties.

6. Line of credit:

The Hospital has an available line of credit of \$24,000 (2019 - \$24,000) with one of its corporate bankers, of which no amount was drawn against at March 31, 2020 and 2019. This line of credit is unsecured and bears interest at prime less 0.75%.

The Hospital also has an overdraft lending agreement with one of its corporate bankers for the amount of \$500 for the purpose of financing a Letter of Credit for the City of Ottawa. The operating loan is repayable on demand, bears interest at prime less 0.75% and is secured by a general security agreement. No amounts have been drawn on this facility for the periods ended March 31, 2020 and 2019.

7. Employee future benefits:

The Hospital offers a defined benefit plan which provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2019.

At March 31, 2020 the Hospital's liability associated with the benefit plan is as follows:

	2020		2019	
Accrued benefit obligation	\$	62,857	\$	69,019
Unamortized experience gains (losses)		5,417		(3,704)
Employee future benefit liability	\$	68,274	\$	65,315

The Hospital's defined benefit plan is not funded, resulting in a plan deficit equal to the accrued benefit obligation.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

7. Employee future benefits (continued):

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

	2020	2019
Discount rate to determine accrued benefit obligation	3.29%	3.18%
Dental cost increases	3.50%	3.50%
Extended healthcare cost escalations	7.50%	7.50%
Expected average remaining service life of employees	17.1 years	17.6 years

The employee future benefit liability change is comprised of:

	2020	2019
Current service cost	\$ 4,190	\$ 3,631
Interest on accrued benefit obligation during the year	2,201	2,259
Amortization of net experience losses	297	301
Benefit payments made by the Hospital during the year	(3,729)	(3,942)
	\$ 2,959	\$ 2,249

Hospital of Ontario 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. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$59,166 (2019 - \$56,915) and are included in the consolidated statement of operations.

In consultation with its actuaries, pension expense is based on Plan management's best estimates, of the amount 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 triennial actuarial valuation of the Plan as at December 31, 2018 indicates the plan is fully funded.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

(In thousands of dollars)

8. Long-term debt:

Long-term debt consists of the following:

	2020	2019
Term note, secured under a general assignment agreement, bearing interest at 2.23%, repayable in principal and interest payments of \$93 monthly, maturing March 2025.	\$ 5,281	\$ 6,267
Term loan bearing interest at bankers' acceptance rate plus 0.50%, repayable in principal plus interest payments of \$125 monthly, maturing October 31, 2024.	14,375	—
Operating line of credit, unsecured, bearing interest at prime less 0.75%, interest only payments, repayable on demand, re-financed with long-term debt in October 2019.	—	3,200
Term loan facility, unsecured, bearing interest at bankers' acceptance rate plus 0.56%, maturing September 2034 (see note below).	108,500	74,000
Capital lease obligation related to imaging equipment, repayment in monthly installments of \$80 for the first 5 years, and \$77.50 per month for the remainder of the term, expiring in May 2028.	6,293	6,816
Capital lease obligation related to HIS, repayment in monthly instalments of \$262 beginning October 2019, expiring August 2024	12,765	—
	147,214	90,283
Less current portion of long-term debt	10,946	7,278
	\$ 136,268	\$ 83,005

The term loan facility has a maximum borrowing of \$160,000. The Hospital will make interest-only payments on a monthly basis from the initial drawdown date of October 31, 2017 up to the date of June 1, 2020.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

8. Long-term debt (continued):

The future minimum annual principal payments related to the long-term debt consist of the following:

2021	\$	10,946
2022		13,761
2023		13,914
2024		14,038
2025		19,035
Thereafter		75,520
	\$	147,214

The Hospital entered into a 15-year forward interest rate swap agreement with a \$115,000 notional value, effective September 1, 2019 and maturing September 1, 2034. The Hospital is obligated to pay fixed interest of 3.144% while receiving variable rate interest which offsets the variable rate interest paid on its term loan. At March 31, 2020, the interest rate swap contract had a negative fair value of \$11,561 (2019 - \$4,029). The current year impact of the change in fair value of the interest rate swap of \$7,532 (2019 - \$3,771) is recorded in the statement of remeasurement gains and losses.

The Hospital entered into a 10-year forward interest rate swap agreement with a \$15,000 notional value, effective October 31, 2019 and maturing September 1, 2029. The Hospital is obligated to pay fixed interest of 3.07% while receiving variable rate interest which offsets the variable rate interest paid on its term loan. At March 31, 2020, the interest rate swap contract had a negative fair value of \$1,075 (2019 - \$Nil). The current year impact of the change in fair value of the interest rate swap of \$1,075 (2019 - \$Nil) is recorded in the statement of remeasurement gains and losses.

9. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

9. Deferred contributions related to capital assets (continued):

The changes in the deferred balance for the year are as follows:

	2020	2019
Balance, beginning of year	\$ 589,610	\$ 571,973
Add cash contributions received or receivable during the year	63,901	50,778
Less amounts amortized for major equipment	(12,563)	(11,594)
Less amounts amortized for buildings	(25,954)	(21,547)
Balance, end of year	\$ 614,994	\$ 589,610

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

	2020	2019
Unamortized capital contributions (note 10)	\$ 550,291	\$ 525,794
Unspent capital contributions (note 3)	64,703	63,816
	\$ 614,994	\$ 589,610

10. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 906,589	\$ 857,522
Amounts financed by:		
Deferred contributions related to capital assets (note 9)	(550,291)	(525,794)
Long-term debt (note 8)	(147,214)	(90,283)
	\$ 209,084	\$ 241,445

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

(In thousands of dollars)

10. Investment in capital assets:

(b) Net change in investment in capital assets is calculated as follows:

	2020	2019
Purchase of capital assets	\$ 126,958	\$ 136,007
Amounts funded by deferred contributions	(63,014)	(45,056)
Amounts funded by long-term debt	(62,454)	(59,196)
Repayment of long-term debt	5,523	1,610
Loss on disposal of capital assets	(138)	(128)
Amortization of deferred contributions related to capital assets	38,517	33,141
Amortization of capital assets	(77,753)	(66,480)
	\$ (32,361)	\$ (102)

11. Net change in non-cash working capital:

	2020	2019
Short-term investments	\$ 283	\$ 65
Accounts receivable	(37,596)	10,140
Inventories	(1,315)	(1,131)
Prepaid expenses	(2,357)	2,976
Accounts payable and accrued liabilities	19,878	27,880
Deferred contributions	4,343	10,144
Net change in non-cash working capital	\$ (16,764)	\$ 50,074

12. Financial instruments:

Establishing fair value:

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

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 the fair value of these assets and liabilities.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

12. Financial instruments (continued):

Establishing fair value (continued):

Cash, short-term investments, assets restricted for capital purchases and funds held in trust are Level 1 fair values and derivatives are Level 2 fair values.

Risk management:

The Hospital is exposed to various financial risks through its transactions and holdings in financial instruments. The impact of the COVID-19 pandemic on the Hospital's risks is disclosed in note 17.

Credit risk:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable as disclosed in note 2. Management believes its allowance for doubtful accounts is sufficient on its receivables from patients and other receivables and has implemented collection recovery procedures to mitigate its credit risk.

Liquidity risk:

Liquidity risk is the risk the Hospital will not be able to meet its financial obligations when they come due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

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:

The Hospital is exposed to interest rate risk with respect to its long-term debt as the interest rate is linked to the bankers' acceptance rate. The Hospital entered into a forward fixed interest rate swap contract to mitigate the interest rate risk on the long-term debt (note 8).

The Hospital believes it is not subject to significant foreign currency or other price risks arising from its financial instruments.

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

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Related entities:

(a) The Ottawa Hospital Residence Corporation:

The Hospital exercises control over The Ottawa Hospital Residence Corporation (the "Corporation"), a tax-exempt entity without share capital incorporated under the laws of Ontario. The Corporation provides accommodation to the interns and family of patients of the Hospital, parking facilities to patients and staff of the Hospital and manages other business activities.

During the year, the Hospital received \$1,100 (2019 - \$1,745) from the Corporation. As at March 31, 2020 the Hospital had a payable to the Corporation, amounting to \$236 (2019 - \$296), this amount is subject to an interest rate of prime minus 1.75%, is due on demand and has no fixed terms of repayment.

The summarized assets, liabilities and results of operations for the Corporation for the year ended December 31 is as follows:

	2020	2019
Financial position:		
Total assets	\$ 2,518	\$ 3,350
Total liabilities	\$ 1,181	\$ 2,087
Net assets	1,337	1,263
	\$ 2,518	\$ 3,350
Results of operations:		
Total revenue	\$ 2,405	\$ 2,224
Total expenses	1,232	1,395
Excess of revenue over expenses	\$ 1,173	\$ 829
Cash flows:		
Operating activities	\$ (849)	\$ 35
Investing activities	(148)	(13)
Net cash flows	\$ (997)	\$ 22

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Related entities (continued):

(b) The Ottawa Hospital Foundation:

The Hospital has an economic interest in The Ottawa Hospital Foundation (the "Foundation"), a tax-exempt entity without share capital incorporated under the laws of Ontario. 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, the Hospital received \$11,176 (2019 - \$5,099) from the Foundation. As at March 31, 2019, the Hospital had a capital grant receivable from the Foundation amounting to \$2,001 (2019 - \$1,956), an endowment and funds in trust receivable of \$666 (2019 - \$682), and \$960 (2019 - \$387) related to other operating expenses paid by the Hospital on behalf of the Foundation. In addition, the Foundation donated gifts-in-kind to the Hospital, which were recorded by the Hospital at no value. Prior to January 1, 2020, the Hospital provided the Foundation with office premises without charge. Beginning January 1, 2020, the Hospital leased space to the Foundation at a total annual cost of \$62.

(c) Ottawa Hospital Research Institute:

The Hospital has an economic interest in the Ottawa Hospital Research Institute (the "Institute"). The Institute carries on and exclusively promotes scientific research and experimental development for the benefit of the general public. The Institute is a tax-exempt entity incorporated under the laws of Ontario.

As at March 31, 2020, the Hospital had an operational payable to the Institute amounting to \$478 (2019 - \$862). During the year, the Hospital provided \$7,506 (2019 - \$7,336) of base funding in support of resources to the Institute, and \$Nil (2019 - \$1,000) to be used to address financial challenges in the current or future fiscal years. The Hospital also provided \$170 (2019 - \$230) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other operating expenses on the consolidated statement of operations.

(d) Eastern Ontario Regional Laboratory Association Inc.:

The Hospital is a founding member of Eastern Ontario Regional Laboratory Association Inc. ("EORLA"). EORLA was established to provide specialized laboratory services to the sixteen member hospitals on a cost of service basis.

At March 31, 2020, the Hospital had an economic interest of \$2,074 (2019 - \$2,013) of total net assets of \$3,578 (2019 - \$3,452). The Hospital also had a capital grant receivable from EORLA in the amount of \$5,494 (2019 - \$5,494) relating to construction of a regional laboratory and investments in capital equipment. The Hospital also has an operational receivable of \$6,197 (2019 - \$4,963) at year end.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Related entities (continued):

(e) Auxiliaries and Association:

The Hospital has an economic interest in the Ottawa Civic Hospital Auxiliary, the Riverside Hospital Auxiliary and the Friends of the Ottawa General Hospital (the "Auxiliaries") and the Rehabilitation Centre Volunteer Association (the "Association"). The object of the Auxiliaries and the Association is to raise and receive funds to be distributed towards various programs and capital projects of the Hospital and its related Foundations. The Auxiliaries and the Association are tax-exempt entities. The Auxiliaries were created under the laws of Ontario.

(f) Ottawa Regional Hospital Linen Services Incorporated:

The Hospital is a founding member of the Ottawa Regional Hospital Linen Services Incorporated ("ORHLS"). ORHLS was established to provide laundry services to member hospitals on a cost of service basis.

At March 31, 2020, the Hospital had an economic interest of \$6,095 (2019 - \$7,465) of total net assets of \$10,372 (2019 - \$13,016).

For the year ended March 31, 2020, the Hospital provided \$6,800 (2019 - \$7,374) to ORHLS for linen services. These amounts have been included in supplies and other operating expenses on the consolidated statement of operations.

(g) Ottawa Hospitals Food Association (formerly Healthcare Food Services Inc.)

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

For the year ended March 31, 2020, the Hospital provided \$334 (2019 - \$1,519) to HFS for food services. These amounts have been included in supplies and other on the consolidated 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").

On November 8, 2019, The Board of Directors of OHFA approved a motion to distribute \$10,000 to the member hospital Foundations based on their share. The Ottawa Hospital Foundation share of the distribution is 54.94%, and the Foundation received a donation of \$5,495 in March 2020. The Ottawa Hospital Foundation distributed this donation as a grant to the Hospital in March 2020.

At March 31, 2020, the Hospital had an economic interest of \$3,032 in OHFA (2019 - \$5,035 in HFS) of total net assets of \$5,517 (2019 - \$8,722).

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Related entities (continued):

(h) Champlain Health Supply Services:

The Hospital is a founding member of Champlain Health Supply Services ("CHSS"). CHSS was established to implement shared service collaboration for the hospitals in the Champlain Region that will integrate the operations of sourcing, procurement and logistics across the region.

As at March 31, 2020, the Hospital had a payable of \$41 (2019 - \$45) to CHSS relating to expenses paid by CHSS on behalf of the Hospital. These amounts are recorded in supplies and other operating expenses on the consolidated statement of operations.

(i) University of Ottawa Heart Institute related parties:

By virtue of its interest in the University of Ottawa Heart Institute, The Ottawa Hospital is related to the following entities as described below.

(i) Ottawa Heart Institute Research Corporation:

The Ottawa Heart Institute Research Corporation ("OHIRC") is incorporated without share capital under the Canada Not-for-Profit Corporations Act. The purpose of the OHIRC is to conduct, acquire, solicit or receive research money to operate and maintain laboratories and a research facility. The OHIRC is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act (Canada). In addition, the OHIRC is classified as a non-profit corporation for scientific research and experimental development as defined in subsection 149(1)(l) of the Income Tax Act (Canada).

The University of Ottawa Heart Institute has an economic interest in the OHIRC. Included in accounts receivable is \$202 (2019 - \$283) relating to construction projects and other costs incurred on behalf of the OHIRC. Included in accounts payable is \$2,810 (2019 - \$1,726) relating to payroll and other support costs incurred by the OHIRC. These amounts are non-interest bearing and have no specified terms of repayment. During the period, the University of Ottawa Heart Institute provided \$5,613 (2019 - \$4,520) of base funding in support of research to the OHIRC. These amounts are recorded in supplies and other expenses on the statement of operations.

These transactions are considered to be in the normal course of operations and are measured at the exchange amount.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

13. Related entities (continued):

(i) University of Ottawa Heart Institute related parties (continued):

(ii) University of Ottawa Heart Institute Foundation:

The University of Ottawa Heart Institute Foundation ("UOHIF") is incorporated without share capital under the Canada Not-for-Profit Corporations Act. UOHIF coordinates and promotes fundraising and endowment activities to support and fund research, patient care, education and other activities concerning cardiovascular health at the University of Ottawa Heart Institute and the OHIRC. UOHIF is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act (Canada).

The University of Ottawa Heart Institute has an economic interest in the UOHIF as the UOHIF holds resources that are used to benefit the University of Ottawa Heart Institute. Included in capital grants receivable is \$22 (2019 - \$Nil) owing from UOHIF. Included in accounts payable is \$Nil (2019 - \$1,746) owing to UOHIF. During the period, the University of Ottawa Heart Institute recorded \$17,762 (2019 - \$8,151) of funding received or receivable from UOHIF to support clinical programs, equipment purchases, and capital programs.

The University of Ottawa Heart Institute has guaranteed, in the form of a second ranking security in all of its personal property, a credit facility the UOHIF has entered into with its corporate banker to provide up to \$20,000 in borrowing subject to the UOHIF cash flow requirements. The outstanding balance at year end was \$8,188 (2019 - \$9,105).

(iii) Alumni and Auxiliary:

The University of Ottawa Heart Institute is also related to the Ottawa Heart Institute Alumni Association (the "Alumni") and the Heart Institute Auxiliary (the "Auxiliary"). The object of the Auxiliary and the Alumni is to raise and receive funds to be distributed towards various programs and capital projects of the University of Ottawa Heart Institute, OHIRC and the UOHIF. The Auxiliary and Alumni are tax-exempt entities created under the laws of Ontario.

These related party transactions are considered to be in the normal course of operations and are measured at the exchange amount.

14. Commitments, contingencies and guarantees:

(a) The nature of the Hospital's activities is such that there is usually litigation pending or in process at any time. With respect to claims at March 31, 2020, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

14. Commitments, contingencies and guarantees (continued):

- (b) A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts 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 year in which they were a subscriber. No such assessments were required during the year ended March 31, 2020.
- (c) As a result of the sale of HFS on May 13, 2019, all outstanding debt has been settled, resulting in the Hospital no longer having a guarantee with respect to HFS or OHFA. At March 31, 2020, OHFA had \$Nil (2019 - \$2,615) outstanding on an available line of credit of \$2,030 (2019 - \$4,615).

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

- (d) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. 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 consolidated financial statements for these guarantees.
- (e) At March 31, 2020, the Hospital has an environmentally contaminated site and has not recorded a liability for remediation costs as the probability and the measurement of such costs are indeterminable at this time.
- (f) At March 31, 2020, the Hospital has construction-in-progress recorded in capital assets of \$20,766 (2019 - \$86,750) and health information system in development of \$Nil (2019 - \$74,973). The cost to complete the construction-in-progress is estimated at \$23,189 (2019 - \$60,628) and the health information system at \$Nil (2019 - \$73,471) as the project was completed during the fiscal year 2020. As explained in Note 4(c), on January 18, 2020 the Hospital achieved substantial completion on a major facility expansion project. The unrecorded cost to complete as of March 31, 2020 was \$2,199.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

14. Commitments, contingencies and guarantees (continued):

- (g) The Hospital is a member of the Ottawa Health Sciences Centre Inc. ("OHSC"). The OHSC was established to provide oversight and direction for the maintenance of the lands where The Ottawa Hospital, Children's Hospital of Eastern Ontario, University of Ottawa and The Ottawa Children's Treatment Centre are located.

As a member of the OHSC, the Hospital is party to a Thermal Energy Agreement ("TEA") with Trans/Alta Corporation for the purchase of thermal energy for heating and humidifying the Hospital. In 2009, the TEA was re-negotiated and resulted in a ten-year extension of its term from January 1, 2013 to January 1, 2023.

- (h) The Hospital, in conjunction with the Ministry of Health, has undertaken a major capital redevelopment project to build a new campus for the Ottawa Hospital. The new campus will enable the Hospital to offer a state-of-the-art medical and research facility to meet the growing healthcare needs of the people of Ottawa and the surrounding communities. The Hospital is currently in the proposal and master plan stage of the project.
- (i) The Hospital has operating lease agreements with future minimum annual payments as follows:

2021	\$	5,441
2022		4,816
2023		3,395
2024		2,764
2025		2,368
Thereafter		1,363
		\$ 20,147

15. ConnectingOntario Northern and Eastern Region Program:

On November 20, 2014, the Hospital entered into an Implementation Transfer Payment Agreement (the "TPA") with e-Health Ontario to help establish a region-wide governance and collaborative delivery model, known as the ConnectingOntario Northern and Eastern Region ("NER") program (formerly known as the Connecting Northern & Eastern Ontario ("cNEO") program).

The NER program was completed on March 31, 2019 and as a result, the NER program revenue and expenses of \$Nil were recognized in 2020 (2019 - \$3,730). As at March 31, 2020 the Hospital had accounts receivable of \$Nil (2019 - \$108) for funds advanced to service delivery partners but not yet spent on the NER program.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

16. Comparative information:

Certain 2019 comparative information has been reclassified to conform with consolidated financial statement presentation adopted for 2020.

17. Impact of Coronavirus COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic which resulted in a series of public health and emergency measures that have been put in place.

As a result of the Hospital's COVID-19 response, the Hospital experienced a change in demand for its services and worked diligently to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

a) *Current year transactions:*

For the year ended March 31, 2020, the Ministry of Health of Ontario allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related incremental expenses. These amounts have been recorded in various expense captions in the statement of operations as determined by the nature of the expense. Accounts receivable balances as at March 31, 2020 include \$3,957 due from the Ministry of Health of Ontario, specifically related to COVID-19 purchases.

b) *Subsequent events related to COVID-19:*

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

c) *Impact of COVID-19 on financial risks:*

The COVID-19 pandemic has impacted the financial risks of the Hospital as follows:

i) *Credit risk:*

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable from non-Canadian government entities, including individuals, businesses and foreign entities because of the economic slowdown and changes in operations caused by COVID-19. The Hospital is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties. The Hospital has updated its allowance for doubtful accounts to include considerations related to COVID-19.

THE OTTAWA HOSPITAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In thousands of dollars)

17. Impact of Coronavirus COVID-19 pandemic (continued):

c) Impact of COVID-19 on financial risks (continued):

ii) Liquidity risk:

The ability of the Hospital to meet their cash flow requirements in the short term has been impacted by several factors including delays in cash collections on receivables, and the loss of revenue associated with elective surgeries, parking revenues and other forms of patient revenue. The hospital is continuously monitoring their cash flow in order to maintain its liquidity moving forward.

iii) Market risk:

Market risk has increased due to significant volatility in financial markets as discussed below:

a) Interest rate risk:

The Hospitals interest rate risk on its debt and SWAP instruments has increased due to significant and sudden decreases in interest rates, resulting in a significant decrease in the fair value of the interest rate SWAP derivative. The Hospital has no plans to exit the SWAP agreement prior to the end of the term.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Hospital's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Hospital is not practicable at this time.