

Non-Consolidated Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2021

THE OTTAWA HOSPITAL

Table of Contents

Year ended March 31, 2021

	Page
Independent Auditors' Report	
Non-Consolidated Financial Statements:	
Non-Consolidated Statement of Financial Position	1
Non-Consolidated Statement of Operations	2
Non-Consolidated Statement of Changes in Net Assets	3
Non-Consolidated Statement of Remeasurement Gains and Losses	4
Non-Consolidated Statement of Cash Flows	5
Notes to Non-Consolidated Financial Statements	6 - 30



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

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of The Ottawa Hospital

Opinion

We have audited the non-consolidated financial statements of The Ottawa Hospital (the Hospital), which comprise:

- the non-consolidated statement of financial position as at March 31, 2021
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes in net assets for the year then ended
- the non-consolidated statement of remeasurement gains and losses for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-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 non-consolidated financial position of the Hospital as at March 31, 2021, and its non-consolidated results of operations, its non-consolidated changes in net assets, its non-consolidated remeasurement gains and losses and its non-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 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.



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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



Page 3

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 21, 2021

THE OTTAWA HOSPITAL

Non-Consolidated Statement of Financial Position

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

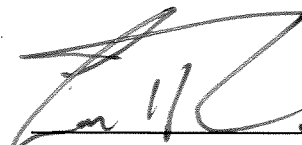
	2021	2020
Assets		
Current assets:		
Cash	\$ 46,508	\$ 30,554
Restricted cash	24,290	21,135
Short-term investments	2,060	1,754
Accounts receivable (note 3(a))	192,725	104,234
Inventories	22,843	15,953
Prepaid expenses	15,902	13,987
	<u>304,328</u>	<u>187,617</u>
Capital grants receivable (note 3(b))	5,216	7,847
Assets restricted for capital purchases (note 4)	125,087	125,061
Capital assets (note 5)	669,192	682,665
Funds held in trust (note 6)	12,938	13,816
	<u>\$ 1,116,761</u>	<u>\$ 1,017,006</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 271,475	\$ 232,318
Deferred contributions	42,155	31,000
Current portion of long-term debt (note 8)	10,382	7,397
	<u>324,012</u>	<u>270,715</u>
Long-term debt (note 8)	104,851	112,084
Derivative liability (note 8)	4,871	11,561
Employee future benefits (note 9)	63,473	62,008
Deferred contributions related to capital assets (note 10)	424,500	416,060
Funds held in trust (note 6)	12,938	13,816
Net assets:		
Investment in capital assets (note 11)	192,724	211,827
Unrestricted deficiency	(5,737)	(69,504)
	<u>186,987</u>	<u>142,323</u>
Accumulated rereasurement losses	(4,871)	(11,561)
	<u>182,116</u>	<u>130,762</u>
Commitments, contingencies and guarantees (note 15)		
	<u>\$ 1,116,761</u>	<u>\$ 1,017,006</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:



Chairperson



President and CEO

THE OTTAWA HOSPITAL

Non-Consolidated Statement of Operations

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

	2021	2020
Revenue:		
Funding from Governments	\$ 1,081,810	\$ 937,252
Patient services	116,729	127,749
Recoveries and other operating	90,850	88,262
Preferred accommodation	7,724	10,479
Marketed services	81,857	62,617
Investment	1,459	3,242
Amortization of deferred contributions related to major equipment (note 10)	9,392	9,148
	1,389,821	1,238,749
Expenses:		
Salaries and wages	636,662	587,883
Employee benefits	165,993	164,168
Supplies and other operating	308,364	247,185
Drugs	92,667	83,663
Medical and surgical supplies	73,664	67,592
Medical staff remuneration	69,498	64,355
Amortization of major equipment	32,760	29,363
Interest	3,710	972
	1,383,318	1,245,181
Excess (deficiency) of revenue over expenses before undernoted items	6,503	(6,432)
Parking revenue	19,496	19,776
Parking expenses	(8,533)	(8,894)
Amortization of deferred contributions related to buildings (note 10)	16,087	15,314
Amortization of buildings	(30,438)	(29,502)
Excess (deficiency) of revenue over expenses before the undernoted	3,115	(9,738)
Working capital funding (note 16)	41,549	—
Excess (deficiency) of revenue over expenses	\$ 44,664	\$ (9,738)

See accompanying notes to non-consolidated financial statements.

THE OTTAWA HOSPITAL

Non-Consolidated Statement of Changes in Net Assets

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

	Investment in capital assets	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 211,827	\$ (69,504)	\$ 142,323	\$ 152,061
Excess (deficiency) of revenue over expenses	–	44,664	44,664	(9,738)
Net change in investment in capital assets (note 11)	(19,103)	19,103	–	–
Balance, end of year	\$ 192,724	\$ (5,737)	\$ 186,987	\$ 142,323

See accompanying notes to non-consolidated financial statements.

THE OTTAWA HOSPITAL

Non-Consolidated Statement of Remeasurement Gains and Losses

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

	2021	2020
Accumulated remeasurement losses, beginning of year	\$ (11,561)	\$ (4,029)
Unrealized gains (losses) attributable to:		
Derivative (note 8)	6,690	(7,532)
Accumulated remeasurement losses, end of year	\$ (4,871)	\$ (11,561)

See accompanying notes to non-consolidated financial statements.

THE OTTAWA HOSPITAL

Non-Consolidated Statement of Cash Flows

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

	2021	2020
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 44,664	\$ (9,738)
Items not involving cash:		
Amortization of capital assets	63,328	58,727
Amortization of deferred contributions related to capital assets (note 10)	(25,479)	(24,462)
Loss on disposal of capital assets	8	138
Net increase in employee future benefits (note 9)	1,465	2,128
Net change in non-cash operating working capital (note 12)	(47,290)	(7,609)
	<u>36,696</u>	<u>19,184</u>
Financing activities:		
Deferred contributions related to capital assets received (note 10)	33,919	30,805
Net proceeds (repayment) of long-term debt	(4,248)	45,481
	<u>29,671</u>	<u>76,286</u>
Investing activities:		
Purchase of capital assets	(49,863)	(99,428)
Net decrease (increase) in capital grants receivable	2,631	(397)
Net increase in assets restricted for capital purchases	(26)	(10,797)
Increase in restricted cash	(3,155)	(4,462)
	<u>(50,413)</u>	<u>(115,084)</u>
Net increase (decrease) in cash during the year	15,954	(19,614)
Cash, beginning of year	30,554	50,168
Cash, end of year	\$ 46,508	\$ 30,554

See accompanying notes to non-consolidated financial statements.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2021
(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 non-consolidated financial statements have been prepared by management in accordance with the significant accounting policies described below to comply with the financial reporting requirements of the Ministry of Health of Ontario for non-consolidated financial statements prepared in accordance with Canadian public sector accounting standards. The Hospital has also prepared general purpose financial statements in accordance with Canadian public sector accounting standards including the 4200 series of standards for government not-for-profit organizations which consolidates the University of Ottawa Heart Institute and reflect the following significant accounting policies.

(a) Basis of presentation:

These non-consolidated financial statements reflect the assets, liabilities and operations of the Hospital.

These non-consolidated financial statements do not include the assets, liabilities or operations of the University of Ottawa Heart Institute, The Ottawa Hospital Academic Family Health Team, and The Ottawa Hospital Residence Corporation, three controlled entities, 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 University of Ottawa Heart Institute, The Ottawa Hospital Academic Family Health Team, and The Ottawa Hospital Residence Corporation is disclosed in note 14.

(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 Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(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 of determining the fair value, contributed services are not recognized in the non-consolidated financial statements.

(d) Inventories:

Inventories are valued at the lower of average cost and replacement cost, less a provision for any obsolete or unusable inventory on hand. Replacement cost is the estimated cost to replenish the inventory at current market prices.

(e) Financial instruments:

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

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(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
Restricted 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, 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. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets.

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, the carrying amount is written down to its residual value.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(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

(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 16.6 years (2020 - 17.1 years).

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.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the non-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 non-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 the non-consolidated financial statements include the assumptions underlying the employee future benefit liability calculation and the valuation of the derivative liability.

2. Restricted cash

Restricted cash consists of balances restricted for the following purposes:

	2021	2020
HIROC claims defense fund	\$ 11,553	\$ 10,959
Self-insured employee benefits	12,611	10,123
Other	126	53
	<u>\$ 24,290</u>	<u>\$ 21,135</u>

3. Accounts and capital grants receivable:

(a) Accounts receivable:

	2021	2020
Accounts receivable from patients	\$ 29,025	\$ 46,428
Ministry of Health of Ontario	124,330	19,120
Ottawa Hospital Research Institute (note 14(e))	4,463	—
University of Ottawa Heart Institute (note 14(a))	5,696	5,535
Eastern Ontario Regional Laboratory Association Inc. (note 14(f))	6,183	6,197
Family Health Team (note 14(c))	485	201
Other	33,575	30,448
	<u>203,757</u>	<u>107,929</u>
Less allowance for doubtful accounts	(11,032)	(3,695)
	<u>\$ 192,725</u>	<u>\$ 104,234</u>

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

3. Accounts and capital grants receivable (continued):

(a) Accounts receivable (continued):

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 current year allowance includes amounts associated with related parties.

(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.

	2021	2020
The Ottawa Hospital Foundation (note 14(d))	\$ 1,077	\$ 2,001
Eastern Ontario Regional Laboratory Association Inc. (note 14(f))	3,934	5,494
Other	205	352
	<u>\$ 5,216</u>	<u>\$ 7,847</u>

4. Assets restricted for capital purchases:

Assets restricted for capital purchases is comprised of \$62,558 (2020 - \$62,496) related to funding received and restricted for the purpose of capital purchases and \$62,529 (2020 - \$62,565) 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% (2020 - 1.6%) and are classified as long-term as the associated cash outflow is not expected to occur within one year. At March 31, 2021, an additional amount of \$707 (2020 - \$2,207) restricted for capital purchases was receivable by the Hospital from the Ottawa Hospital Foundation.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

5. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 34,146	\$ —	\$ 34,146	\$ 34,146
Land improvements	5,336	5,336	—	—
Leasehold improvements	310	248	62	124
Buildings	752,988	390,161	362,827	373,363
Building service equipment	197,200	140,821	56,379	59,175
Health information system	121,080	13,440	107,640	116,334
Major equipment	530,345	455,380	74,965	79,011
Construction-in-progress	33,173	—	33,173	20,512
	<u>\$ 1,674,578</u>	<u>\$ 1,005,386</u>	<u>\$ 669,192</u>	<u>\$ 682,665</u>

(a) Cost and accumulated amortization of capital assets at March 31, 2020 amounted to \$1,624,878 and \$942,213, respectively.

During the year ended March 31, 2021, the Hospital disposed of equipment with a cost of \$163 (2020 - \$138) and accumulated amortization of \$155 (2020 - \$Nil) for proceeds of \$Nil (2020 - \$Nil), resulting in a loss of \$8 (2020 - \$138).

(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. Interest was recorded and capitalized until the asset was put in to use. The interest capitalized amounted to \$Nil (2020 - \$1,895).

(c) 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.

6. 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.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

7. Line of credit:

The Hospital has an operating line of credit of \$24,000 (2020 - \$24,000) and a capital demand instalment facility of \$18,000 (2020 - \$18,000) with one of its corporate bankers, of which no amounts were drawn against as at March 31, 2021 and 2020. Both lines are unsecured and bear interest at prime less 0.75%.

8. Long-term debt:

Long-term debt is unsecured and consists of the following:

	2021	2020
Term loan facility, bearing interest at bankers' acceptance rate plus 0.56%, maturing September 2034 (see note below)	\$ 106,655	\$ 108,500
Capital lease obligation related to HIS, repayment in monthly instalments of \$226 beginning October 2019, expiring August 2024	8,578	10,981
	115,233	119,481
Less current portion	(10,382)	(7,397)
	\$ 104,851	\$ 112,084

The term loan facility has a maximum borrowing of \$160,000. The future anticipated annual principal payments related to the long-term debt consist of the following:

2022	\$ 10,382
2023	10,459
2024	10,541
2025	8,799
2026	7,900
Thereafter	67,152
	\$ 115,233

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

8. Long-term debt (continued):

The Hospital entered into a 15-year forward interest rate swap agreement with a \$115,000 notional value, effective September 1, 2019. The notional value amortizes on a monthly basis at a preset schedule until maturity, September 1, 2034. The current notional value is \$103,500. The Hospital is obligated to pay a fixed interest of 3.144% while receiving variable rate interest which offsets the variable rate interest paid on its term loan. At March 31, 2021, the interest rate swap contract had a negative fair value of \$4,871 (2020 - \$11,561). The current year impact of the change in fair value of the interest rate swap of \$6,690 (2020 - (\$7,532)) is recorded in the statement of remeasurement gains and losses.

9. Employee future benefits:

The Hospital offers a defined benefit plan which provides extended health care and dental insurance benefits to some 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, 2021 the Hospital's liability associated with the benefit plan is as follows:

	2021	2020
Accrued benefit obligation	\$ 56,246	\$ 57,103
Unamortized experience gains	7,227	4,905
Employee future benefit liability	\$ 63,473	\$ 62,008

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

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

	2021	2020
Discount rate to determine accrued benefit obligation	3.21%	3.29%
Dental cost increases	3.50%	3.50%
Extended healthcare cost escalations	7.50%	7.50%
Expected average remaining service life of employees	16.6 years	17.1 years

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

9. Employee future benefits (continued):

The employee future benefit liability change is comprised of:

	2021	2020
Current service cost	\$ 3,232	\$ 3,229
Interest on accrued benefit obligation during the year	1,876	1,999
Amortization of net experience losses (gains)	(271)	278
Benefit payments made by the Hospital during the year	(3,372)	(3,378)
	\$ 1,465	\$ 2,128

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 \$54,232 (2020 - \$52,984) and are included in the non-consolidated statement of operations.

Pension expense is based on Plan management's best estimates, as determined in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement. 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, 2019 indicates the plan is fully funded.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

10. 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 non-consolidated statement of operations.

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

	2021	2020
Balance, beginning of year	\$ 416,060	\$ 409,717
Add cash contributions received or receivable during the year	33,919	30,805
Less amounts amortized for major equipment	(9,392)	(9,148)
Less amounts amortized for buildings	(16,087)	(15,314)
Balance, end of year	\$ 424,500	\$ 416,060

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

	2021	2020
Unamortized capital contributions (note 11)	\$ 361,235	\$ 351,357
Unspent capital contributions (note 4)	63,265	64,703
	\$ 424,500	\$ 416,060

11. Investment in capital assets:

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

	2021	2020
Capital assets	\$ 669,192	\$ 682,665
Amounts financed by:		
Deferred contributions related to capital assets (note 10)	(361,235)	(351,357)
Long-term debt (note 8)	(115,233)	(119,481)
	\$ 192,724	\$ 211,827

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

11. Investment in capital assets (continued):

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

	2021	2020
Purchase of capital assets	\$ 49,863	\$ 99,428
Amounts funded by deferred contributions	(35,357)	(29,918)
Amounts funded by long-term debt	4,248	(45,481)
Loss on disposal of capital assets	(8)	(138)
Amortization of deferred contributions related to capital assets	25,479	24,462
Amortization of capital assets	(63,328)	(58,727)
	\$ (19,103)	\$ (10,374)

12. Net change in non-cash working capital:

	2021	2020
Short-term investments	\$ (306)	\$ 283
Accounts receivable	(88,491)	(20,912)
Inventories	(6,890)	(1,114)
Prepaid expenses	(1,915)	(2,154)
Accounts payable and accrued liabilities	39,157	12,189
Deferred contributions	11,155	4,099
Net change in non-cash working capital	\$ (47,290)	\$ (7,609)

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

13. 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.

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 19.

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 3. Management believes its allowance for doubtful accounts is sufficient on its receivables from patients 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.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

13. Financial instruments (continued):

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 or to policies, procedures and methods used to measure credit risk.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities:

(a) University of Ottawa Heart Institute:

The Hospital exercises control over the University of Ottawa Heart Institute, a tax-exempt charity, incorporated under the laws of Ontario. The University of Ottawa Heart Institute provides cardiac services to the patients of the Hospital. Pursuant to the Public Hospitals Act, the Hospital is ultimately responsible for the health care of patients and, all patients at the University of Ottawa Heart Institute are acknowledged to be 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 intent of the service agreement is that any deficit incurred by either party shall be managed by the party incurring the deficit. The University of Ottawa Heart Institute has an accumulated unrestricted net asset deficit of \$2,846 at March 31, 2021 (2020 - surplus of \$5,368). As at March 31, 2021, the Hospital had a receivable from the University of Ottawa Heart Institute amounting to \$5,696 (2020 - \$5,535), bearing interest at prime. This receivable has no fixed terms of repayment.

The summarized assets, liabilities and results of operations for the University of Ottawa Heart Institute are as follows:

	2021	2020
Financial position:		
Total assets	\$ 274,939	\$ 268,318
Total liabilities	\$ 272,300	\$ 265,693
Net assets	2,639	2,625
	\$ 274,939	\$ 268,318
Results of operations:		
Total revenue	\$ 226,409	\$ 214,175
Total expenses	226,395	214,122
Excess of revenue over expenses	\$ 14	\$ 53
Cash flows:		
Operating activities	\$ 35,987	\$ (3,007)
Financing activities	733	38,100
Capital activities	(12,842)	(26,282)
Net cash flows	\$ 23,878	\$ 8,811

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities (continued):

(b) 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 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 \$400 (2020 - \$1,100) from the Corporation. As at March 31, 2021, the Hospital had a payable to the Corporation, amounting to \$429 (2020 - \$376), this amount is subject to an interest rate of prime minus 1.60%, 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 are as follows:

	2021	2020
Financial position:		
Total assets	\$ 1,840	\$ 2,518
Total liabilities	\$ 60	\$ 1,181
Net assets	1,780	1,337
	\$ 1,840	\$ 2,518
Results of operations:		
Total revenue	\$ 1,932	\$ 2,405
Total expenses	1,087	1,232
Excess of revenue over expenses	\$ 845	\$ 1,173
Cash flows:		
Operating activities	\$ (508)	\$ (849)
Investing activities	(46)	(148)
Net cash flows	\$ (554)	\$ (997)

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities (continued):

(c) The Ottawa Hospital Academic Family Health Team Inc.:

The Hospital exercises control over The Ottawa Hospital Academic Family Health Team Inc. (the "Corporation"), a tax-exempt entity without share capital incorporated under the Canada Corporations Act. The Corporation operates a primary healthcare center that provides medical, health, and support services for the general public as well as conducts or participates in research relating to family medicine and primary healthcare.

During the year, the Hospital provided supplementary funding of \$347 (2020 - \$37) to the Corporation. As at March 31, 2021, the Hospital had a receivable from the Corporation, amounting to \$485 (2020 - \$201).

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

	2021	2020
Financial position:		
Total assets	\$ 928	\$ 572
Total liabilities	\$ 928	\$ 572
Results of operations:		
Total revenue	\$ 4,817	\$ 1,153
Total expenses	4,817	1,153
Excess of revenue over expenses	\$ —	\$ —
Cash flows:		
Operating activities	\$ 355	\$ (197)
Net cash flows	\$ 355	\$ (197)

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities (continued):

(d) 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 \$5,419 (2020 - \$11,176) from the Foundation. As at March 31, 2021, the Hospital had a capital grant receivable from the Foundation amounting to \$1,077 (2020 - \$2,001), an endowment and funds in trust receivable of \$902 (2020 - \$666) and \$1,055 (2020 - \$960) 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, however no amount was charged in 2021 due to COVID-19 closures.

(e) 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, 2021, the Hospital had an operational receivable from the Institute amounting to \$4,463 (2020 - \$478 payable). During the year, the Hospital provided \$7,336 (2020 - \$7,506) of base funding in support of resources to the Institute. The Hospital also provided \$150 (2020 - \$170) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other operating expenses on the non-consolidated statement of operations.

(f) 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, 2021, the Hospital had an economic interest of \$5,166 (2020 - \$2,074) of total net assets of \$8,926 (2020 - \$3,578). The Hospital also has a capital grant receivable from EORLA in the amount of \$3,934 (2020 - \$5,494) relating to construction of a regional laboratory and investments in capital equipment. The Hospital also had an operational receivable of \$6,183 (2020 - \$6,197) at year end.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities (continued):

(g) 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.

(h) 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, 2021, the Hospital had an economic interest of \$8,191 (2020 - \$6,095) of total net assets of \$14,514 (2020 - \$10,372).

For the year ended March 31, 2021, the Hospital provided \$7,024 (2020 - \$6,800) to ORHLS for linen services. These amounts have been included in supplies and other operating expenses on the non-consolidated statement of operations.

(i) 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, 2021, the Hospital provided \$Nil (2020 - \$334) 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 Directors of OHFA approved a motion to distribute \$10,000 to the member hospital Foundation's 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. A second donation of \$1,373 was received by the Foundation and distributed to the Hospital in June 2020.

At March 31, 2021, the Hospital had an economic interest of \$1,661 in OHFA (2020 - \$3,032) of total net assets of \$3,022 (2020 - \$5,517).

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. Related entities (continued):

(j) 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, 2021, the Hospital had a payable of \$30 (2020 - \$41) 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 non-consolidated statement of operations.

(k) 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. During the period, the University of Ottawa Heart Institute provided \$4,342 (2020 - \$5,613) of base funding in support of research to the OHIRC.

(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 UOHIF as UOHIF holds resources that are used to benefit the University of Ottawa Heart Institute. During the period, the University of Ottawa Heart Institute recorded \$3,390 (2020 - \$17,762) of funding received from UOHIF to support clinical programs, equipment purchases, and capital programs.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

14. 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 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 \$10,000 in borrowing subject to the Foundation's cash flow requirements.

(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, the 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.

15. 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, 2021, 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.
- (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, 2021.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

15. Commitments, contingencies and guarantees (continued):

- (c) As a closing condition of the sale of HFS on May 13, 2019, 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 non-consolidated financial statements for these guarantees.
- (e) At March 31, 2021, 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, 2021, the Hospital has construction-in-progress recorded in capital assets of \$33,173 (2020 - \$20,512). The cost to complete the construction-in-progress is estimated at \$21,107 (2020 - \$21,829).
- (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 an extension of its term from January 1, 2013 to January 1, 2024.

- (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, academic and research facility to meet the growing healthcare needs of the people of Ottawa and the surrounding communities. The Hospital is currently in the process of finalizing the functional programming of the new campus with the Ministry of Health.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

15. Commitments, contingencies and guarantees (continued):

- (i) The Hospital has operating lease agreements with future minimum annual payments as follows:

2022	\$	4,521
2023		3,910
2024		3,423
2025		3,107
2026		1,046
Thereafter		700
	\$	16,707

16. Ministry of Health working capital funding:

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

As at the date of approval of these financial statements, the MOH has provided its preliminary estimate of working capital funding of \$41,549 which has been recognized as revenue. The MOH has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to this working capital funding will be reflected in the Hospital's financial statements in the year of settlement.

17. 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.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

17. Ministry of Health pandemic funding (continued):

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. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

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	\$	58,738
Funding for revenue losses resulting from COVID-19		33,208
Broad-based funding reconciliation for other eligible costs and revenue losses		21,939
	\$	113,885

In addition to the above the Hospital has recognized \$16,326 in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

The Hospital has also recognized \$29,377 in MOH funding for other COVID-19 related expenditures such as, employee and physician pandemic pay, assessment centers and long-term care homes.

18. Comparative information:

Certain 2020 comparative information has been reclassified to conform with the non-consolidated financial statement presentation adopted for 2021.

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, health 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.

THE OTTAWA HOSPITAL

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021
(In thousands of dollars)

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

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

