



Financial Statements
Year Ended March 31, 2020



CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

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Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre

Opinion

We have audited the financial statements of the Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our 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 Entity 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 ethical requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 9, 2020

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Financial Position

March 31, 2020, with comparative information for 2019
(Tabular amounts in thousands of dollars)


| | 2020 | 2019 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 21,209 | \$ 21,649 |
| Accounts receivable (note 3) | 17,380 | 13,232 |
| Inventories | 4,189 | 2,601 |
| Prepaid expenses | 5,589 | 4,301 |
| Current portion of due from related parties (note 5) | 5,631 | 4,390 |
| | <u>53,998</u> | <u>46,173</u> |
| Due from related parties (note 5) | 1,546 | 2,497 |
| Designated investments (note 6) | 5,785 | 9,186 |
| Funds held for others (notes 6 and 10) | 8,038 | 9,284 |
| Capital assets (note 7) | 167,640 | 170,470 |
| Interest rate swap asset (note 11) | - | 79 |
| | <u>\$ 237,007</u> | <u>\$ 237,689</u> |

Liabilities and Net Assets

| | | |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | \$ 40,867 | \$ 40,943 |
| Current portion of long-term debt (note 11) | 3,187 | 3,068 |
| Current portion of deferred contributions (note 8) | 13,858 | 9,996 |
| | <u>57,912</u> | <u>54,007</u> |
| Deferred contributions (note 8) | 9,142 | 7,843 |
| Deferred contributions for capital assets (note 9) | 107,459 | 108,565 |
| Funds held for others (note 10) | 8,038 | 9,284 |
| Long-term debt (note 11) | 20,868 | 24,055 |
| Accrued benefit liability (note 12) | 6,626 | 6,218 |
| Interest rate swap liability (note 11) | 784 | - |
| | <u>210,829</u> | <u>209,972</u> |
| Net assets: | | |
| Invested in capital assets (note 13) | 36,126 | 34,782 |
| Unrestricted deficiency | (9,164) | (7,144) |
| Accumulated rereasurement gains | (784) | 79 |
| | <u>26,178</u> | <u>27,717</u> |
| Contingent liabilities and commitments (note 14) | | |
| | <u>\$ 237,007</u> | <u>\$ 237,689</u> |

See accompanying notes to financial statements.

Director
D. Fedoruk, Chair



Director
F. Dinis, Treasurer

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Operations

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

| | 2020 | 2019 |
|--|------------|------------|
| Revenue: | | |
| Ministry of Health and Long-term Care (MOHLTC)/ Local Health Integration Network (LHIN) | \$ 164,900 | \$ 161,358 |
| Patient services | 48,548 | 44,319 |
| Other operating revenues and recoveries | 33,509 | 32,481 |
| Amortization of deferred contributions for equipment | 5,921 | 6,046 |
| Other funded programs (Schedule A) | 68,542 | 66,824 |
| | 321,420 | 311,028 |
| Expenses: | | |
| Salaries and benefits | 164,764 | 157,151 |
| Medical staff remuneration | 9,985 | 10,108 |
| Supplies and other expenses | 50,584 | 49,976 |
| Medical and surgical supplies | 7,894 | 7,259 |
| Drugs and medical gases | 7,679 | 7,862 |
| Amortization - equipment | 11,143 | 11,780 |
| Other funded programs (Schedule A) | 68,542 | 66,824 |
| | 320,591 | 310,960 |
| Excess of revenue over expenses before the undernoted | 829 | 68 |
| Amortization of deferred contributions for buildings | 3,669 | 3,509 |
| Amortization of buildings | (5,174) | (4,948) |
| | (1,505) | (1,439) |
| Deficiency of revenue over expenses | \$ (676) | \$ (1,371) |

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Changes in Net Assets

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

| | Invested in capital assets | Unrestricted | 2020 Total | 2019 Total |
|--|-------------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$ 34,782 | (7,144) | \$ 27,638 | \$ 29,009 |
| Deficiency of revenue over expenses | - | (676) | (676) | (1,371) |
| Net purchases of capital assets | 13,487 | (13,487) | - | - |
| Amortization of capital assets | (16,317) | 16,317 | - | - |
| Decrease in long-term debt | 3,068 | (3,068) | - | - |
| Deferred contributions for capital assets | (8,484) | 8,484 | - | - |
| Amortization of deferred contributions for capital assets | 9,590 | (9,590) | - | - |
| Balance, end of year | \$ 36,126 | \$ (9,164) | \$ 26,962 | \$ 27,638 |

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Cash Flows

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

| | 2020 | 2019 |
|--|-----------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenses | \$ (676) | \$ (1,371) |
| Items not affecting cash: | | |
| Amortization: | | |
| Capital assets | 16,317 | 16,728 |
| Deferred contributions for capital assets | (9,590) | (9,555) |
| Increase in actuarial valuation of accrued employee future benefits | 783 | 858 |
| Employee future benefits paid | (375) | (924) |
| Increase in deferred contributions | 5,161 | 1,873 |
| | 11,620 | 7,609 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (4,148) | 1,677 |
| Due to/from related parties | (290) | (2,255) |
| Inventories | (1,588) | (305) |
| Prepaid expenses | (1,288) | 660 |
| Accounts payable and accrued liabilities | (168) | 1,387 |
| | 4,138 | 8,773 |
| Investing activities: | | |
| Net purchases of capital assets | (13,487) | (15,053) |
| Net withdrawals (acquisitions) of investments | 4,647 | (462) |
| Net repayment of funds held for others | (1,246) | (1,439) |
| | (10,086) | (16,954) |
| Financing activities: | | |
| Net repayment of long-term debt | (3,068) | (3,066) |
| Deferred contributions for capital assets | 8,484 | 8,194 |
| Changes in accounts payable for construction | 92 | (947) |
| | 5,508 | 4,181 |
| Decrease in cash | (440) | (4,000) |
| Cash, beginning of year | 21,649 | 25,649 |
| Cash, end of year | \$ 21,209 | \$ 21,649 |
| Interest paid | \$ 572 | \$ 659 |

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Statement of Remeasurement Gains and Losses

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

| | 2020 | 2019 |
|---|----------|--------|
| Accumulated remeasurement gains, beginning of year | \$ 79 | \$ 609 |
| Unrealized losses attributable to: | | |
| Interest rate swaps | (863) | (530) |
| Accumulated remeasurement gains (losses), end of year | \$ (784) | \$ 79 |

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements

Year ended March 31, 2020
(Tabular amounts in thousands of dollars)

1. Description:

The Children's Hospital of Eastern Ontario - Ottawa Children's Treatment Centre (CHEO) is incorporated under the Ontario Corporations Act. CHEO provides health care services to children in Eastern Ontario, Western Quebec and Nunavut. CHEO is a registered charity and as such is not subject to income tax under Paragraph 149(1)(f) of the Income Tax Act (Canada).

2. Significant accounting policies:

The 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 include the following significant accounting policies.

(a) Revenue recognition:

Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Grants approved but not received at the end of an accounting period are accrued.

Revenue from other provinces and uninsured patients, operational revenue, and ancillary services are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CHEO follows the deferral method of accounting for contributions for not-for-profit organizations which includes provincial government allocations, other contributions and grants.

Externally restricted contributions are recognized as revenue in the year in which 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.

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.

(b) Funding policy:

Under the current funding policy, CHEO is essentially funded on a fixed global-budget base. CHEO is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may incur.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(c) Donated services:

A substantial number of volunteers contribute a significant amount of their time each year to CHEO. Owing to the difficulty in assessing the number of hours and the fair value thereof, contributed services are not recognized in the financial statements.

(d) Financial instruments:

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

Unrealized changes in fair value of designated investments are recorded in deferred contributions and funds held for others.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Canadian public sector accounting standards require CHEO to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

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

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

CHEO uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 11 and 16 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

CHEO uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

The fair values of over-the-counter derivatives are based on prevailing market rates for instruments with similar characteristics and maturities, net present value analysis, or are determined by using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. Counterparty credit risk and liquidity valuation adjustments are recorded, as appropriate.

(e) Inventories:

Inventories are valued at lower of cost on a moving-average basis and current replacement cost. Major components of inventory include drugs and medical and surgical supplies.

(f) Capital assets:

Capital assets are recorded at cost. Assets acquired by a capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. When a capital asset no longer contributes to CHEO's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis over the estimated useful lives as follows:

| Asset | Useful life |
|-------------------|--|
| Land improvements | 10 to 25 years according to the class of improvements |
| Buildings | 15 to 50 years according to the class of the asset |
| Major equipment | 5 to 15 years according to the class of the asset |
| Minor equipment | Minor equipment is expensed as incurred |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(f) Capital assets (continued):

The cost of capital projects in progress will be transferred to the cost of buildings and/or major equipment and begin to be amortized when construction/implementation is complete and the facility/equipment is put in use. Land is not amortized due to its infinite life.

(g) Long-term lease agreements:

CHEO has long-term lease agreements with third parties for buildings that have been constructed on lands owned by CHEO. These land leases are accounted for by CHEO as operating leases. The buildings which were constructed by third parties are not accounted for as assets of CHEO and any assets or related liabilities thereon would be accounted for by CHEO upon termination of the lease agreement.

(h) Employee future benefits:

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

CHEO accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the other retirement benefits. The actuarial determination of the accrued benefit obligations for other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2019, and the next required valuation will be as of March 31, 2022.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. These defined benefit plans are not funded.

The average remaining service period of active employees covered by the employee benefit plans is 14.0 years (2019 - 14.0 years).

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

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(h) Employee future benefits (continued):

CHEO is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. CHEO 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 financial statements in conformity with Public Sector Accounting Standards requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In particular, the assumptions underlying the employee future benefit calculations contain significant estimates. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

3. Accounts receivable:

| | 2020 | 2019 |
|------------------------|------------------|------------------|
| MOHLTC / LHIN | \$ 4,139 | \$ 1,816 |
| MCCSS | 90 | 425 |
| Patient services | 5,942 | 4,760 |
| External organizations | 4,999 | 4,506 |
| Harmonized sales tax | 2,210 | 1,725 |
| | <u>\$ 17,380</u> | <u>\$ 13,232</u> |

4. Accounts payable and accrued liabilities:

| | 2020 | 2019 |
|------------------------|------------------|------------------|
| MOHLTC / LHIN | \$ 1,601 | \$ 1,328 |
| MCCSS | 636 | 2,516 |
| External organizations | 35,840 | 34,592 |
| Government remittances | 2,790 | 2,507 |
| | <u>\$ 40,867</u> | <u>\$ 40,943</u> |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

5. Due from related parties:

| | 2020 | 2019 |
|---|----------|----------|
| EORLA - prime less 0.25% variable rate promissory note with principal payments of \$866,094 annually, maturing March 2022 | \$ 1,732 | \$ 2,598 |
| CHEO Research Institute - interest free loan with principal payments of \$85,000 annually, maturing March 2029 | 765 | 850 |
| CHEO Research Institute – non-interest-bearing receivable with no defined terms of repayment | 692 | 681 |
| CHEO Foundation - non-interest-bearing receivable with no defined terms of repayment | 3,988 | 2,758 |
| | 7,177 | 6,887 |
| Less: current portion of due from related parties | (5,631) | (4,390) |
| Long-term portion | \$ 1,546 | \$ 2,497 |

6. Designated investment and funds held for others:

| | Fair value | Cost | 2020 Fair value |
|------------------------|------------|-----------|-----------------|
| Cash | \$ 6 | \$ 6 | 0.0% |
| Short-term investments | 6,376 | 6,344 | 46.1% |
| Provincial bonds | 1,564 | 1,547 | 11.3% |
| Corporate bonds | 5,877 | 5,896 | 42.6% |
| | \$ 13,823 | \$ 13,793 | 100.0% |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

(Tabular amounts in thousands of dollars)

6. Designated investment and funds held for others (continued):

| | Fair value | Cost | 2019 Fair value |
|------------------------|------------------|------------------|-----------------------|
| Cash | \$ 26 | \$ 26 | 0.1% |
| Short-term investments | 6,843 | 6,837 | 37.1% |
| Provincial bonds | 2,178 | 2,182 | 11.8% |
| Corporate bonds | 9,423 | 9,460 | 51.0% |
| | <u>\$ 18,470</u> | <u>\$ 18,505</u> | <u>100.0%</u> |

Bonds are debt obligations of governments and corporate entities paying interest at rates appropriate to the market at their date of purchase. The bonds mature at face value on a staggered basis until 2026. Interest rates for these securities range from 1.25% to 4.20% (2019 – 1.19% to 7.41%).

These investments can be liquidated by CHEO on demand.

7. Capital assets:

Capital assets consist of:

| | Cost | Accumulated amortization | 2020 Net book value |
|----------------------|-------------------|-----------------------------|---------------------------|
| Land | \$ 454 | \$ – | \$ 454 |
| Land improvement | 2,115 | 1,205 | 910 |
| Buildings | 171,085 | 65,032 | 106,053 |
| Major equipment | 212,202 | 154,109 | 58,093 |
| Projects in progress | 2,130 | – | 2,130 |
| | <u>\$ 387,986</u> | <u>\$ 220,346</u> | <u>\$ 167,640</u> |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

7. Capital assets (continued):

| | Cost | Accumulated amortization | 2019 Net book value |
|----------------------|-------------------|-----------------------------|---------------------------|
| Land | \$ 454 | \$ - | \$ 454 |
| Land improvement | 2,115 | 1,096 | 1,019 |
| Buildings | 167,804 | 59,861 | 107,943 |
| Major equipment | 201,210 | 143,072 | 58,138 |
| Projects in progress | 2,916 | - | 2,916 |
| | \$ 374,499 | \$ 204,029 | \$ 170,470 |

Cost and accumulated amortization are presented net of disposals of \$Nil (2019 - \$Nil).

8. Deferred contributions:

Changes in the deferred contributions balance are as follows:

| | Capital funds | Other | 2020 Total |
|---|------------------|------------------|------------------|
| Balance, beginning of year | \$ 7,843 | \$ 9,996 | \$ 17,839 |
| Add: amount received during the year | 1,302 | 4,839 | 6,141 |
| Add: change in unrealized losses on designated investments | 17 | 29 | 46 |
| Less: amount transferred to deferred contributions for capital assets | (983) | - | (983) |
| Less: amount recognized as revenue during the year | - | (43) | (43) |
| Transfers | 963 | (963) | - |
| Balance, end of year | \$ 9,142 | \$ 13,858 | \$ 23,000 |
| Accumulated unrealized losses on designated investments, beginning of year | \$ (21) | \$ (6) | \$ (27) |
| Accumulated unrealized gains (losses) on designated investments, end of year | \$ (4) | \$ 23 | \$ 19 |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

8. Deferred contributions (continued):

| | Capital funds | Other | 2019 Total |
|---|------------------|-----------------|------------------|
| Balance, beginning of year | \$ 7,205 | \$ 8,761 | \$ 15,966 |
| Add: amount received during the year | 652 | 2,043 | 2,695 |
| Add: change in unrealized losses on designated investments | 31 | 35 | 66 |
| Less: amount transferred to deferred contributions for capital assets | (522) | – | (522) |
| Less: amount recognized as revenue during the year | – | (366) | (366) |
| Transfers | 477 | (477) | – |
| Balance, end of year | \$ 7,843 | \$ 9,996 | \$ 17,839 |
| Accumulated unrealized losses on designated investments, beginning of year | \$ (52) | \$ (41) | \$ (93) |
| Accumulated unrealized losses on designated investments, end of year | \$ (21) | \$ (6) | \$ (27) |

The deferred contribution balance of \$9,142,105 (2019 - \$7,842,580) in the Capital Funds component represents capital grants from the Province of Ontario and contributions from the CHEO Foundation for capital equipment. As these funds are spent on equipment, a corresponding amount is transferred to deferred contributions for capital assets.

9. Deferred contributions for capital assets:

Changes in the deferred contributions for capital assets are as follows:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 108,565 | \$ 109,926 |
| Add: amount received during the year | 4,248 | 4,681 |
| Add: amount transferred from deferred contributions | 555 | 522 |
| Add: amount contributed by the CHEO Foundation | 3,681 | 2,991 |
| Less: amount recognized as revenue during the year | (9,590) | (9,555) |
| Balance, end of year | \$ 107,459 | \$ 108,565 |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

10. Funds held for others:

During the year, CHEO was involved with the administration of several projects. As administrator of these projects, CHEO has accepted the responsibility of collecting funds from supporters and issuing cheques for approved expenses. The receipts and disbursements for the projects are not recognized as revenues and expenses of CHEO. The related assets are disclosed in note 6.

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Balance, beginning of year | \$ 9,284 | \$ 10,723 |
| Add: amount received during the year | 3,737 | 3,034 |
| Less: change in unrealized losses on investments | 20 | 49 |
| Less: amounts disbursed during the year | (5,003) | (4,522) |
| Balance, end of year | \$ 8,038 | \$ 9,284 |
| Accumulated unrealized losses on investments, beginning of year | \$ (8) | \$ (57) |
| Accumulated unrealized gains (losses) on investments, end of year | \$ 12 | \$ (8) |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

11. Long-term debt and credit facilities:

(a) Long-term debt:

| | 2020 | 2019 |
|--|------------------|------------------|
| 3.33% fixed rate loan with principal payments of \$35,115 monthly including interest, maturing November 2023 | \$ 1,453 | \$ 1,819 |
| 2.83% fixed rate loan with principal payments of \$25,000 monthly, maturing October 2024 | 1,375 | 1,675 |
| 3.70% fixed rate loan with principal payments of \$28,446 monthly including interest, maturing November 2024 | 1,459 | 1,741 |
| CDOR plus 0.40% stamping fee Banker's Acceptance fixed by interest rate swap with interest only payments until March 2018, maturing March 2029 | 19,768 | 21,888 |
| | 24,055 | 27,123 |
| Less: current portion of long-term debt | (3,187) | (3,068) |
| Long-term portion | \$ 20,868 | \$ 24,055 |

The estimated fair value of the loans are \$1,494,626, \$1,302,333, \$1,507,332 and \$18,381,855 (2019 - \$1,840,922, \$1,542,162, \$Nil, \$1,778,781 and \$18,530,922) based on a quoted market rates as at March 31, 2020 of 1.78%, 2.35%, 2.35% and 1.74% respectively (2019 - 2.81%, 2.96%, 2.96% and 2.66%, respectively).

Principal payments required over the next four years are as follows:

| | |
|---------|------------------|
| 2020/21 | \$ 3,187 |
| 2021/22 | 3,288 |
| 2022/23 | 3,199 |
| 2023/24 | 3,083 |
| 2024/25 | 2,579 |
| | \$ 15,336 |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

11. Long-term debt and credit facilities (continued):

(b) Credit facilities:

CHEO has an operating credit facility which allows it to borrow up to \$7,000,000 at an interest rate of prime less 0.25%. The balance of amounts borrowed as at March 31, 2020 is \$Nil (2019 - \$12,900).

CHEO has a revolving credit facility which allows it to borrow up to \$10,000,000 for the purposes of acquiring capital assets. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. The balance of the two loans outstanding under this facility as at March 31, 2020 is \$2,834,259 (2019 - \$3,415,776).

(c) Interest rate swaps:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

CHEO has entered into an interest rate swap agreement to manage the volatility of interest rates associated with debt related to systems acquisitions. CHEO has converted a net notional \$24 million of floating rate long-term debt to a fixed rate of 1.86%. The maturity date of the interest rate swap is March 1, 2029.

The interest rate swaps have unrealized accumulated remeasurement losses of \$783,836 (2019 – gains of \$79,066), which are recorded on the statement of financial position as at March 31, 2020. The current year impact of the change in fair value of the interest rate swap is a decrease of accumulated remeasurement gains of \$862,902 (2019 - \$529,808).

The fair value of the interest rate swap has been determined using Level 2 of the fair value hierarchy. The fair value of the interest rate swap is based on underlying market yield curves and risk premiums. These inputs are discounted to estimate the future cash flows of the variable and fixed legs of the instrument.

12. Accrued employee future benefits:

CHEO offers defined benefit plans which provide pension and other post-retirement benefits to most of its employees. The measurement date used to determine the accrued benefit obligation is March 31, 2020. The most recent actuarial valuation of employee future benefits for accounting purposes was completed as at March 31, 2020.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

12. Accrued employee future benefits (continued):

The liability associated with the post-retirement and post-employment plans as at March 31, 2020 is as follows:

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Accrued benefit obligation: | | |
| Balance, beginning of year | \$ 8,101 | \$ 8,284 |
| Current benefit cost | 365 | 439 |
| Interest | 258 | 279 |
| Benefits paid | (375) | (919) |
| Actuarial loss | - | 18 |
| Balance, end of year | 8,349 | 8,101 |
| Unamortized actuarial gains and losses | (1,833) | (1,993) |
| EORLA accrued benefit | 110 | 110 |
| Employee future benefits liability | \$ 6,626 | \$ 6,218 |

CHEO entered into a formal arrangement with the Eastern Ontario Regional Laboratory Association (EORLA) to transfer all laboratory operations to EORLA. Effective April 1, 2012, 78 of CHEO's non-medical laboratory employees became employees of EORLA, of which 52 employees are members of the benefit plan. As a result, the pension plan for these employees was curtailed and the liability for EORLA's employees separated from CHEO's accrued benefit liability. The EORLA liability of \$110,400 (2019 - \$110,400) as at March 31, 2020 will be reduced as benefits are paid out to former employees of CHEO.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation as at March 31, 2020 are as follows:

| | 2020 | 2019 |
|-------------------|---|-------|
| Discount rate | 3.18% | 3.18% |
| Medical inflation | 6.42% for year ended March 31, 2020 reducing by 0.33% per year to an ultimate rate of 3.75% | |
| Dental inflation | 3.75% | 3.75% |
| Mortality | Uninsured pensioner 1994 mortality rates with mortality improvements projected to 2030 | |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

12. Accrued employee future benefits (continued):

Healthcare of Ontario Pension Plan:

Substantially all of the employees of CHEO are eligible to be members of the Hospitals of Ontario Pension Plan (the "Plan"). The Plan is a multi-employer, defined benefit pension plan. The Plan is accounted for as a defined contribution plan. Employer contributions to the Plan during the year by CHEO amounted to \$14,496,160 (2019 - \$14,367,457). These amounts are included as operating expenses.

In consultation with its actuaries, pension expense is based on the 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 actuarial valuation of the Plan as at December 31, 2018 indicates the plan is fully funded.

13. Net assets invested in capital assets:

Investment in capital assets is calculated as follows:

| | 2020 | 2019 |
|---|------------|------------|
| Capital assets | \$ 167,640 | \$ 170,470 |
| Amounts financed by: | | |
| Deferred contributions for capital assets | (107,459) | (108,565) |
| Long-term debt | (24,055) | (27,123) |
| | \$ 36,126 | \$ 34,782 |

CHEO receives contributions restricted in use from various sources and has complied with the conditions and requirements of capital grants, contributions and long-term debt throughout the year.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

14. Contingent liabilities and commitments:

- (a) As a member of the Ottawa Health Sciences Centre Inc., CHEO is party to a Thermal Energy Agreement (TEA) with TransAlta Corporation for the purchase of thermal energy for heating and humidifying the hospital premises. In 2009, the TEA was re-negotiated and resulted in a ten-year extension of its term from January 1, 2013 to January 1, 2024. The revised TEA, which was retroactive to January 1, 2007, stipulates a minimum Take or Pay quantity of steam and medium temperature hot water each year until the expiry of the contract and also provides for a new surcharge levy of \$2.22/gigajoule to facilitate the expansion of the TransAlta plant to meet future site thermal demands.
- (b) CHEO is also committed under supplier contracts to purchase services for the next five years for a total amount of \$15,299,436 (2019 - \$19,203,389).
- (c) From time to time, CHEO is a party to claims related to its operations, the majority of which are covered under CHEO's insurance policy. No provision has been made for loss in these financial statements as, in management's opinion, these claims will not have a material adverse effect on its financial position or result of operations.
- (d) CHEO is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made at March 31, 2020.

15. Related entities:

CHEO is related to the following entities: Children's Hospital of Eastern Ontario Foundation, Children's Hospital of Eastern Ontario Research Institute Inc., Eastern Ontario Regional Laboratory Association and Ottawa Regional Hospital Linen Services by virtue of representation on their Boards or other forms of influence. CHEO does not have control of these entities and the net assets and results of operations of these entities are not included in CHEO's financial statements. In addition to the related party transactions disclosed elsewhere in these financial statements, CHEO has entered into the following transactions with these entities:

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020
(Tabular amounts in thousands of dollars)

15. Related entities (continued):

Children's Hospital of Eastern Ontario Foundation (Foundation)

During the year, CHEO received total contributions from the Foundation in the amount of \$12,968,102 (2019 - \$9,234,178) allocated as follows: operating contributions \$1,886,155 (2019 - \$2,817,172), capital contributions \$4,524,309 (2019 - \$3,592,918) and other special purpose funds in the amount of \$6,557,638 (2019 - \$2,824,088). Special purpose funds are not included as a revenue or an expense to CHEO. The Foundation is a tax-exempt charitable entity created without share capital under the laws of Ontario.

Children's Hospital of Eastern Ontario Research Institute (Institute)

CHEO provides administrative services, including financial accounting, human resources, material management and information services, to the Institute for a total annual fee of \$395,500 (2019 - \$395,500). All operating and capital expenses of the Institute are initially paid by CHEO. Costs related to building infrastructure and support, as well as insurance coverage, are billed back to the Institute on a cost recovery basis. During the year, CHEO provided funds to the Institute in the amount of \$301,300 (2019 - \$301,300) as a contribution towards operating costs. The Institute is a tax-exempt charitable entity created without share capital under the Canada Not-for-Profit Corporations Act.

Eastern Ontario Regional Laboratory Association (EORLA)

CHEO is a founding member of EORLA which was established to provide laboratory services to member hospitals on a cost of service basis. EORLA is incorporated without share capital under the Ontario Business Corporations Act. EORLA is a not-for-profit organization under the Income Tax Act and as such is exempt from income taxes. Effective April 1, 2013, CHEO entered into a formal arrangement with EORLA to transfer all laboratory operations (except Genetics) to EORLA. All existing laboratory equipment remains the property of CHEO and will be leased to EORLA at no charge. New equipment will be acquired directly by EORLA as the need arises. Included in CHEO's accounts receivable at March 31, 2020 is a receivable of \$37,434 (2019 - \$66,176) for costs incurred by CHEO on behalf of EORLA. During the year, CHEO paid \$8,723,520 (2019 - \$8,820,168) for laboratory services provided by EORLA. As at March 31, 2020 CHEO had a payable of \$210,026 (2019 - receivable of \$124,547) related to these services.

Recovery of prior year's laboratory costs:

In April 2016, EORLA determined it overcharged members for tests performed at the CHEO reference lab over a four-year period. CHEO was overbilled a total of \$5,300,000 during this time. EORLA members have agreed to a six-year repayment plan. The amount owing of \$1,732,187 (2019 - \$2,598,281) is included in due from related parties.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

15. Related entities (continued):

Ottawa Regional Hospital Linen Services (ORHLS)

CHEO is a founding member ORHLS. ORHLS was established to provide laundry services for the member hospitals on a cost of service basis. ORHLS is incorporated without share capital under the Ontario Business Corporations Act and is a not-for-profit organization under the Income Tax Act (Canada) and as such is exempt from income taxes. As at March 31, 2020, CHEO had an economic interest of \$718,734 (2019 - \$960,800) of total net assets of \$10,372,709 (2019 - \$13,016,413). For the year ended March 31, 2020, CHEO paid \$1,120,973 (2019 - \$1,085,508) to ORHLS for laundry services.

16. Financial instruments:

The fair value of CHEO's accounts receivable, accounts payable and accrued liabilities approximates cost due to their short-term nature. The fair value of investments is described in note 6 and the fair value of debt in note 11.

The following table presents the investments recorded at fair value in the statement of financial position, classified using the fair value hierarchy described above:

| | Level 1 | Level 2 | Level 3 | 2020 Total |
|------------------------|----------|----------|---------|---------------|
| Cash | \$ 6 | \$ - | \$ - | \$ 6 |
| Short-term investments | 6,376 | - | - | 6,376 |
| Provincial bonds | - | 1,564 | - | 1,564 |
| Corporate bonds | - | 5,877 | - | 5,877 |
| Interest rate swap | - | (784) | - | (784) |
| | \$ 6,382 | \$ 6,657 | \$ - | \$ 13,039 |

| | Level 1 | Level 2 | Level 3 | 2019 Total |
|------------------------|----------|-----------|---------|---------------|
| Cash | \$ 26 | \$ - | \$ - | \$ 26 |
| Short-term investments | 6,843 | - | - | 6,843 |
| Provincial bonds | - | 2,178 | - | 2,178 |
| Corporate bonds | - | 9,423 | - | 9,423 |
| Interest rate swap | - | 79 | - | 79 |
| | \$ 6,869 | \$ 11,680 | \$ - | \$ 18,549 |

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020
(Tabular amounts in thousands of dollars)

16. Financial instruments (continued):

Financial risk factors

CHEO's activities expose it to a variety of financial risks: market risk (including interest rate, currency (foreign exchange), and other price risks), credit risk and liquidity risk. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return consistent with the investment policies approved by the Board of Directors.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. CHEO is exposed to this risk relating to its cash and accounts receivable. CHEO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

CHEO's receivables are with governments, government funding agencies, patients and residents and corporate entities. CHEO believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. The balance of the allowance for doubtful accounts at March 31, 2020 is \$1,403,109 (2019 - \$1,246,704).

(b) Liquidity risk:

Liquidity risk is the risk that CHEO will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CHEO manages its liquidity risk by monitoring its operating requirements. CHEO prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) 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: currency risk, interest rate risk and other price risk.

(i) Currency risk:

CHEO believes it is not subject to significant foreign currency risk arising from its financial instruments.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020
(Tabular amounts in thousands of dollars)

16. Financial instruments (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. CHEO is exposed to this risk through its term debt and demand loan.

CHEO mitigates interest rate risk on certain of its debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 11). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

(iii) Other price risk:

CHEO believes it is not subject to significant other price risk arising from its financial instruments.

17. Comparative information:

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

18. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus disease outbreak (COVID-19) a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- The redeployment of certain employees to newly created COVID-19 support roles, including screening for anyone entering the Hospital, community-based testing activities and support to long-term care homes in the region;

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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

- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and certain non-essential outpatient visits, and the implementation of virtual care, where feasible; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and incremental unplanned operating costs.

(a) Current year transactions:

For the year ended March 31, 2020, the Ministry of Health (Ministry) has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred incremental COVID-related expenses. These amounts have been recorded in various expense captions in the statement of operations as determined by the nature of the expense. CHEO has not retained unused Ministry funding to offset COVID-related costs in the year.

(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 Ministry has committed to reimbursing the Hospital for uninsured patient services at the established interprovincial rates. The Hospital is mitigating this remaining risk by closely monitoring receivables and entering into transactions with credit-worthy counterparties. The Hospital has updated its allowance for doubtful accounts to include considerations related to COVID-19.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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

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

(ii) Liquidity risk:

As of the date of approval of these financial statements, the ability of the Hospital to meet their short-term cash flow requirements has not been significantly impacted by COVID-19. The Hospital is continuously monitoring their cash flow, including delays in cash collections on receivables and the loss of revenue associated with out-of-province patients, marketed services and other forms of patient revenue, 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.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs

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

| | Revenue | Expenses | 2020 Net | Revenue | Expenses | 2019 Net |
|---|----------|----------|-------------|----------|----------|-------------|
| MOHLTC/LHIN: | | | | | | |
| Clinical Education | \$ 1,181 | \$ 1,181 | \$ - | \$ 1,181 | \$ 1,181 | \$ - |
| Municipal Taxes | 17 | 17 | - | 17 | 17 | - |
| Youth Health Systems Navigator | 67 | 67 | - | - | - | - |
| Special Drug Program | 3,085 | 3,085 | - | 2,671 | 2,671 | - |
| Transitional Youth & Bridges | 785 | 785 | - | 787 | 787 | - |
| ECHO | 539 | 539 | - | 549 | 549 | - |
| Brief Services (A348) ¹ | - | - | - | 2 | 2 | - |
| Crisis Support Services (A350) ¹ | 67 | 67 | - | - | - | - |
| Intake (A352) ¹ | 333 | 333 | - | 322 | 322 | - |
| Intensive Treatment (A353) ¹ | 3,517 | 3,517 | - | 3,436 | 3,436 | - |
| Coordination (A354) ¹ | 107 | 107 | - | 119 | 119 | - |
| Consultation (A355) ¹ | 44 | 44 | - | 127 | 127 | - |
| Prevention (A356) ¹ | 279 | 279 | - | 275 | 275 | - |
| Telepsychiatry (A561) ¹ | 415 | 415 | - | 392 | 392 | - |
| Centre of Excellence (A587) ¹ | 5,900 | 5,900 | - | 5,869 | 5,869 | - |
| | 16,336 | 16,336 | - | 15,747 | 15,747 | - |
| MCCSS programs: | | | | | | |
| DS - Professional & Specialized Services (F705) | 502 | 502 | - | 502 | 502 | - |
| SCS - Children Behaviour Intervention (F716) | 1,124 | 1,124 | - | 1,138 | 1,138 | - |
| SCS - Assessment & Counselling (F719) | 1,663 | 1,663 | - | 1,663 | 1,663 | - |
| Infant Development (F134) | 912 | 912 | - | 912 | 912 | - |
| Infant Hearing Program (F151) | 120 | 120 | - | 134 | 134 | - |
| School-Based Rehabilitation Services (F152) | 4,910 | 4,910 | - | 1,388 | 1,388 | - |
| Out-of-Home Respite (F235) | 393 | 393 | - | 393 | 393 | - |
| Aboriginal FASD (F261) | 270 | 270 | - | 270 | 270 | - |
| Physical Rehabilitation (F230) | 10,095 | 10,095 | - | 10,095 | 10,095 | - |
| MCCSS programs balance carryforward | 19,989 | 19,989 | - | 16,495 | 16,495 | - |

¹ Beginning April 1, 2019, payments to CHEO for the delivery of child and youth mental health (CYMH) services were issued by MOH. CYMH funding was previously issued by MCCSS.

CHILDREN'S HOSPITAL OF EASTERN ONTARIO - OTTAWA CHILDREN'S TREATMENT CENTRE

Schedule A - Other funded programs (continued)

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

| | Revenue | Expenses | 2020 Net | Revenue | Expenses | 2019 Net |
|---|-----------|-----------|-------------|-----------|-----------|-------------|
| MCCSS programs (continued): | | | | | | |
| Balance carried forward | \$ 19,989 | \$ 19,989 | \$ - | \$ 16,495 | \$ 16,495 | \$ - |
| School Support Program - Autism Spectrum (F203) | 1,277 | 1,277 | - | 1,142 | 1,142 | - |
| Other ASD Supports (F205) | 27 | 27 | - | 27 | 27 | - |
| ASD - Respite Services (F206) | 97 | 97 | - | 97 | 97 | - |
| Coordinated Service Planning (F260) | 967 | 967 | - | 817 | 817 | - |
| OAP Services & Family Support Worker (F209 + F210) | 20,369 | 20,369 | - | 24,974 | 24,974 | - |
| ASD Diagnostic Hub (F214) | 1,132 | 1,132 | - | 550 | 550 | - |
| Healthy Babies Healthy Children - BORN ISCIS (F100) | 150 | 150 | - | 451 | 451 | - |
| | 44,008 | 44,008 | - | 44,553 | 44,553 | - |
| Other programs: | | | | | | |
| First Words - Pinecrest Queensway | 424 | 424 | - | 373 | 373 | - |
| Champlain Maternal Newborn Regional Program | 857 | 857 | - | 803 | 803 | - |
| Navigator Program | 485 | 485 | - | 482 | 482 | - |
| National Newcomer Navigator Program | 1,731 | 1,731 | - | - | - | - |
| School Program - Ministry of Education | 2,096 | 2,096 | - | 2,072 | 2,072 | - |
| Other Education Programs - Ministry of Education | 20 | 20 | - | 14 | 14 | - |
| Preschool Program - City of Ottawa | 451 | 451 | - | 465 | 465 | - |
| Regional Preschool Program - City of Ottawa | 505 | 505 | - | 594 | 594 | - |
| Caution: Parents Learning - City of Ottawa | 56 | 56 | - | 58 | 58 | - |
| Blind/Low Vision Program - Pinecrest Queensway | 133 | 133 | - | 137 | 137 | - |
| Preschool SLP - Pinecrest Queensway | 1,362 | 1,362 | - | 1,412 | 1,412 | - |
| Other Programs | 78 | 78 | - | 114 | 114 | - |
| | 8,198 | 8,198 | - | 6,524 | 6,524 | - |
| | \$ 68,542 | \$ 68,542 | \$ - | \$ 66,824 | \$ 66,824 | \$ - |