



Financial Statements

Year Ended March 31, 2024



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

Table of Contents

Year ended March 31, 2024

| | Page |
|---|------|
| Independent Auditor's Report | |
| Financial Statements: | |
| Statement of Financial Position | 1 |
| Statement of Operations | 3 |
| Statement of Changes in Net Assets | 4 |
| Statement of Remeasurement Gains and Losses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 8 |
| Schedule A - Other Funded Programs | 44 |



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

INDEPENDENT AUDITOR'S 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, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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 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 auditor's 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 auditor's report thereon, included in a document likely entitled "Annual Report" is expected to be made available to us after the date of this auditor's 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 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.



Page 4

- 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 18, 2024

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

Statement of Financial Position

March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|--|------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$55,368 | \$42,074 |
| Accounts receivable (note 4) | 91,609 | 44,979 |
| Inventories | 3,393 | 4,105 |
| Prepaid expenses | 8,555 | 7,275 |
| Current portion of due from related parties (note 6) | 4,788 | 1,954 |
| Total current assets | 163,713 | 100,387 |
| Due from related parties (note 6) | 340 | 425 |
| Designated investments (note 7) | 23,927 | 22,644 |
| Funds held for others (notes 7 and 12) | 5,699 | 5,775 |
| Capital assets (notes 8 and 15) | 267,394 | 191,174 |
| Interest rate swap asset (note 13) | 608 | 661 |
| Total assets | \$461,681 | \$321,066 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|---|-----------|-----------|
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$159,627 | \$90,583 |
| Due to related parties (note 9) | 4,760 | 3,130 |
| Current portion of long-term debt (note 13) | 3,176 | 3,083 |
| Current portion of deferred contributions (note 10) | 16,462 | 21,068 |
| Total current liabilities | 184,025 | 117,864 |
| Deferred contributions (note 10) | 20,748 | 14,673 |
| Deferred contributions for capital assets (note 11) | 190,473 | 124,652 |
| Funds held for others (note 12) | 5,699 | 5,775 |
| Long-term debt (note 13) | 32,038 | 28,898 |
| Accrued benefit liability (note 14) | 8,647 | 8,238 |
| Asset retirement obligations (note 15) | 4,220 | 3,987 |
| Total liabilities | 445,850 | 304,087 |
| Net assets: | | |
| Invested in capital assets (note 16(a)) | 41,707 | 34,541 |
| Unrestricted deficiency | (26,484) | (18,223) |
| Accumulated remeasurement gains | 608 | 661 |
| Total net assets | 15,831 | 16,979 |
| Contingent liabilities and commitments (note 17) | | |
| Total liabilities and net assets | \$461,681 | \$321,066 |

See accompanying notes to financial statements.

_____ Director

_____ Director

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

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|---|------------------|-------------------|
| Revenue: | | |
| Ministry of Health/Ontario Health | \$280,627 | \$223,035 |
| Patient services | 54,224 | 44,537 |
| Other operating revenues and recoveries | 53,639 | 42,418 |
| Amortization of deferred contributions for equipment | 6,345 | 5,919 |
| Other funded programs (Schedule A) | 99,642 | 102,544 |
| Total revenue | 494,477 | 418,453 |
| Expenses: | | |
| Salaries and benefits | 264,134 | 202,680 |
| Medical staff remuneration | 13,042 | 10,537 |
| Supplies and other expenses | 72,885 | 58,786 |
| Medical, surgical and laboratory expenses | 21,721 | 19,642 |
| Drugs and medical gases | 17,305 | 13,269 |
| Amortization - equipment | 10,440 | 10,277 |
| Other funded programs (Schedule A) | 102,650 | 102,544 |
| Total expenses | 502,177 | 417,735 |
| Excess (deficiency) of revenue over expenses before the undernoted items and non-recurring items | (7,700) | 718 |
| Amortization of deferred contributions for buildings | 3,425 | 4,024 |
| Amortization of buildings | (5,402) | (5,699) |
| Deficiency of revenue over expenses before non-recurring items | (9,677) | (957) |
| Retroactivity associated with Bill 124 repeal (note 21): | | |
| Ontario Health funding | 12,601 | 0 |
| Salaries and benefits - hospital operations | (2,022) | (10,253) |
| Salaries and benefits - other funded programs | (1,997) | 0 |
| | 8,582 | (10,253) |
| Deficiency of revenue over expenses | \$(1,095) | \$(11,210) |

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, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | Invested in capital assets | Unrestricted | 2024 Total | 2023 Total |
|--|----------------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$34,541 | \$(18,223) | \$16,318 | \$27,528 |
| Deficiency of revenue over expenses | 0 | (1,095) | (1,095) | (11,210) |
| Net change in invested in capital assets (note 16(b)) | 7,166 | (7,166) | 0 | 0 |
| Balance, end of year | \$41,707 | \$(26,484) | \$15,223 | \$16,318 |

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, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|--|-------|-------|
| Accumulated remeasurement gains, beginning of year | \$661 | \$411 |
| Unrealized gains (losses) attributable to: | | |
| Interest rate swaps | (53) | 250 |
| Accumulated remeasurement gains, end of year | \$608 | \$661 |

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, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|---|-----------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenses | \$(1,095) | \$(11,210) |
| Items not affecting cash: | | |
| Amortization: | | |
| Capital assets | 15,842 | 15,976 |
| Deferred contributions for capital assets | (9,770) | (9,943) |
| Loss on disposal of capital assets | 2 | 0 |
| Increase in actuarial valuation of accrued employee future benefits | 793 | 762 |
| Increase in asset retirement obligation | 233 | 0 |
| Donated capital assets | 0 | (6,193) |
| Employee future benefits paid | (384) | (453) |
| Increase in deferred contributions | 1,469 | 4,552 |
| Net change in non-cash operating working capital (note 20) | 20,758 | 24,235 |
| Subtotal operating activities | 27,848 | 17,726 |
| Investing activities: | | |
| Net acquisitions of designated investments | (1,283) | (21,047) |
| Subtotal investing activities | (1,283) | (21,047) |
| Capital activities: | | |
| Purchase of capital assets | (92,080) | (35,678) |
| Deferred contributions for capital assets | 75,591 | 24,072 |
| Proceeds on disposal of capital assets | 16 | 0 |
| Subtotal capital activities | (16,473) | (11,606) |

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

Statement of Cash Flows (continued)

Year ended March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | 2024 | 2023 |
|--|----------|----------|
| Financing activities: | | |
| Net proceeds on long-term debt | \$3,233 | \$14,401 |
| Changes in accounts payable for construction | (31) | (378) |
| Subtotal financing activities | 3,202 | 14,023 |
| Increase in cash | 13,294 | 5,605 |
| Cash, beginning of year | 42,074 | 36,469 |
| Cash, end of year | \$55,368 | \$42,074 |
| Interest paid | \$1,589 | \$473 |

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, 2024

(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, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(c) Donated services and assets:

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.

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

(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

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

- 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.

CHEO uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 13 and 19 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. Replacement cost is the estimated cost to replenish the inventory at current market price. Major components of inventory include drugs and medical and surgical supplies.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(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 |

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.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(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, 2022, and the next required valuation will be as of March 31, 2025.

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 (2023 - 14.0 years).

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

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.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(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. Significant estimates used in preparing the financial statements include the assumptions underlying the accrued benefit liability calculation, the valuation of the interest rate swap asset, and the accrued liability for the asset retirement obligations.

(j) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

CHEO has recognized liabilities for the following obligations:

- (i) Removal of asbestos in several of the buildings owned by CHEO based on estimated future expenses on closure of the site and post-closure care;
- (ii) Contractual end of term lease obligations based on estimated future expenses to return leased premises to their original state; and
- (iii) Removal of fuel storage tanks based on the estimated future expense of removal which is dependent on the size and fuel class of the tank.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(j) Asset retirement obligations (continued):

Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of a liability resulted in an accompanying increase to the respective capital assets. The building assets affected by the asbestos liability, contractual end of term lease obligations and fuel storage tanks are being amortized following the amortization accounting policies outlined in note 2(f).

3. Implementation of new accounting standard:

PS 3400 *Revenue*:

On April 1, 2023, CHEO adopted Public Sector Accounting Standard PS 3400 *Revenue*. This new standard provides requirements for the recognition, measurement, presentation, and disclosure of revenue transactions. This standard was adopted prospectively from the date of adoption. The implementation of this standard did not require CHEO to reflect any adjustments in these financial statements.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

4. Accounts receivable:

| | 2024 | 2023 |
|---|----------|----------|
| Ministry of Health/Ontario Health | \$15,141 | \$21,513 |
| Ministry of Children, Community and Social Services | 54,389 | 3,161 |
| Patient services | 10,753 | 9,273 |
| External organizations | 10,749 | 9,972 |
| Harmonized sales tax | 2,428 | 3,275 |
| Subtotal | 93,460 | 47,194 |
| Less: allowance for doubtful accounts | (1,851) | (2,215) |
| Total | \$91,609 | \$44,979 |

The allowance for doubtful accounts relates to patient services and external organizations and is determined based on prior experience with similar accounts.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

5. Accounts payable and accrued liabilities:

| | 2024 | 2023 |
|---|-----------|----------|
| Ministry of Health/Ontario Health | \$22,880 | \$19,577 |
| Ministry of Children, Community and Social Services | 2,584 | 637 |
| External organizations | 119,445 | 64,364 |
| Employee/employer remittances | 14,718 | 6,005 |
| Total | \$159,627 | \$90,583 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

6. Due from related parties:

| | 2024 | 2023 |
|--|---------|---------|
| CHEO Research Institute - interest free loan with principal payments of \$85,000 annually, maturing March 2029 | \$425 | \$510 |
| CHEO Foundation - non-interest-bearing receivable with no defined terms of repayment | 4,703 | 1,821 |
| CHEO School Authority - non-interest-bearing receivable with no defined terms of repayment | 0 | 48 |
| Subtotal | 5,128 | 2,379 |
| Less: current portion of due from related parties | (4,788) | (1,954) |
| Long-term portion | \$340 | \$425 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

7. Designated investment and funds held for others:

| | Fair value | Cost | 2024 Fair value |
|------------------------|-----------------|-----------------|--------------------|
| Short-term investments | \$193 | \$193 | 0.7% |
| Treasury bills | 1,402 | 1,398 | 4.7% |
| Provincial bonds | 1,566 | 1,579 | 5.3% |
| Corporate bonds | 26,465 | 26,515 | 89.3% |
| Total | \$29,626 | \$29,685 | 100.0% |

| | Fair value | Cost | 2023 Fair value |
|------------------------|-----------------|-----------------|--------------------|
| Cash | \$42 | \$42 | 0.1% |
| Short-term investments | 1,778 | 1,778 | 6.3% |
| Treasury bills | 2,752 | 2,710 | 9.7% |
| Federal bonds | 3,910 | 3,903 | 13.7% |
| Provincial bonds | 2,053 | 2,061 | 7.2% |
| Corporate bonds | 17,884 | 17,838 | 63.0% |
| Total | \$28,419 | \$28,332 | 100.0% |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

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

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 2028. Interest rates for these securities range from 1.50% to 5.50% (2023 - 0.50% to 3.74%).

These investments can be liquidated by CHEO on demand.

8. Capital assets:

Capital assets consist of:

| | Cost | Accumulated amortization | 2024 Net book value |
|----------------------|------------------|-----------------------------|---------------------------|
| Land | \$454 | \$0 | \$454 |
| Land improvement | 2,192 | 1,652 | 540 |
| Buildings | 192,764 | 92,684 | 100,080 |
| Major equipment | 270,447 | 198,179 | 72,268 |
| Projects in progress | 94,052 | 0 | 94,052 |
| Total | \$559,909 | \$292,515 | \$267,394 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

8. Capital assets (continued):

Cost and accumulated amortization of capital assets at March 31, 2023 amounted to \$468,583,847 and \$277,409,720, respectively. During the year, CHEO disposed of equipment with a cost of \$755,139 (2023 - \$Nil) and accumulated amortization of \$737,186 (2023 - \$Nil). CHEO received proceeds of \$15,820 (2023 - \$Nil) associated with these disposals, resulting in a loss of \$2,133 (2023 - \$Nil).

9. Due to related parties:

| | 2024 | 2023 |
|---|----------------|----------------|
| CHEO Research Institute – non-interest-bearing payable with no defined terms of repayment | \$3,688 | \$2,626 |
| CHEO School Authority - non-interest-bearing payable with no defined terms of repayment | 642 | 0 |
| Eastern Ontario Regional Laboratory Association - non-interest-bearing payable on customary terms | 430 | 504 |
| Total | \$4,760 | \$3,130 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

10. Deferred contributions:

Changes in the deferred contributions balance are as follows:

| | Capital funds | Other | 2024 Total |
|--|---------------|----------|---------------|
| Balance, beginning of year | \$14,673 | \$21,068 | \$35,741 |
| Add: amount received during the year | 5,130 | 688 | 5,818 |
| Add: change in unrealized losses on designated investments | (75) | (54) | (129) |
| Less: amount transferred to deferred contributions for capital assets | (447) | 0 | (447) |
| Less: amount recognized as revenue during the year | 0 | (3,773) | (3,773) |
| Transfers | 1,467 | (1,467) | 0 |
| Balance, end of year | \$20,748 | \$16,462 | \$37,210 |
| Accumulated unrealized gains on designated investments, beginning of year | \$5 | \$40 | \$45 |
| Accumulated unrealized gains (losses) on designated investments, end of year | \$(70) | \$(14) | \$(84) |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

10. Deferred contributions (continued):

| | Capital funds | Other | 2023 Total |
|--|---------------|----------|---------------|
| Balance, beginning of year | \$13,536 | \$17,653 | \$31,189 |
| Add: amount received during the year | 4,164 | 3,950 | 8,114 |
| Add: change in unrealized gains on designated investments | 31 | 38 | 69 |
| Less: amount transferred to deferred contributions for capital assets | (3,410) | 0 | (3,410) |
| Less: amount recognized as revenue during the year | 0 | (221) | (221) |
| Transfers | 352 | (352) | 0 |
| Balance, end of year | \$14,673 | \$21,068 | \$35,741 |
| Accumulated unrealized gains (losses) on designated investments, beginning of year | \$(26) | \$2 | \$(24) |
| Accumulated unrealized gains on designated investments, end of year | \$5 | \$40 | \$45 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

10. Deferred contributions (continued):

The deferred contribution balance of \$20,747,954 (2023 - \$14,672,774) 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.

11. Deferred contributions for capital assets:

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

| | 2024 | 2023 |
|---|-----------|-----------|
| Balance, beginning of year | \$124,652 | \$110,523 |
| Add: amount received during the year | 69,656 | 14,819 |
| Add: amount transferred from deferred contributions | 278 | 2,317 |
| Add: amount contributed by the CHEO Foundation | 5,657 | 6,936 |
| Less: amount recognized as revenue during the year | (9,770) | (9,943) |
| Balance, end of year | \$190,473 | \$124,652 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

12. 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 7.

| | 2024 | 2023 |
|---|----------------|----------------|
| Balance, beginning of year | \$5,775 | \$9,132 |
| Add: amount received during the year | 1,795 | 2,489 |
| Add: change in unrealized gains on investments | (17) | 48 |
| Less: amounts disbursed during the year | (1,854) | (5,894) |
| Balance, end of year | \$5,699 | \$5,775 |
| Accumulated unrealized gains (losses) on investments, beginning of year | \$42 | \$(6) |
| Accumulated unrealized gains on investments, end of year | \$25 | \$42 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

13. Long-term debt and credit facilities:

(a) Long-term debt:

| | 2024 | 2023 |
|---|----------|----------|
| 3.33% fixed rate loan with principal payments of \$35,115 monthly including interest, paid in full November 2023 | \$0 | \$278 |
| 2.83% fixed rate loan with principal payments of \$25,000 monthly, maturing October 2024 | 175 | 475 |
| 3.70% fixed rate loan with principal payments of \$28,446 monthly including interest, paid in full November 2023 | 0 | 549 |
| CDOR plus 0.55% stamping fee Banker's Acceptance fixed by interest rate swap with interest only payments until March 2018, maturing March 2029 | 10,900 | 13,079 |
| CDOR plus 0.54% stamping fee Banker's Acceptance fixed by interest rate swap with interest only payments until November 2024, maturing September 2043 | 24,139 | 17,600 |
| Subtotal | 35,214 | 31,981 |
| Less: current portion of long-term debt | (3,176) | (3,083) |
| Long-term portion | \$32,038 | \$28,898 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

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

(a) Long-term debt (continued):

Canadian Dollar Offered Rate ("CDOR") tenors will cease publication after June 28, 2024. CHEO intends to transition impacted instruments to Canadian Overnight Repo Rate Average ("CORRA") lending subsequent to March 31, 2024.

The future anticipated annual principal repayments related to long-term debt consist of the following:

| | |
|------------|----------|
| 2025 | \$3,176 |
| 2026 | 3,037 |
| 2027 | 3,074 |
| 2028 | 3,115 |
| 2029 | 3,158 |
| Thereafter | 19,654 |
| Total | \$35,214 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

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

(b) Credit facilities:

CHEO has an operating credit facility which allows it to borrow up to \$30,000,000 (2023 - \$7,000,000) for general operating purposes. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. No amounts were drawn against the facility as at March 31, 2024 (2023 - \$Nil).

CHEO has a revolving credit facility which allows it to borrow up to \$10,000,000 (2023 - \$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, 2024 is \$175,000 (2023 - \$1,024,052).

CHEO has a non-revolving term facility which allows it to borrow up to \$30,000,000 (2023 - \$30,000,000) for the purposes of incurring costs relating to the implementation of a new cloud enterprise resource planning system. The term and rate associated with any loan taken against the facility are determined at the time that the funds are drawn. The balance outstanding under this facility as at March 31, 2024 is \$24,138,815 (2023 - \$17,600,000).

CHEO has a revolving standby credit facility which allows it to borrow up to \$30,000,000 (2023 - \$Nil) for the purposes of temporarily bridging funding and expenditures related to its capital redevelopment plan. The facility includes an accordion feature that provides CHEO with access to an additional \$20,000,000 subject to lender approval. 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 amounts borrowed as at March 31, 2024 is \$Nil.

(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.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

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

(c) Interest rate swaps (continued):

CHEO has entered into an interest rate swap agreement to convert \$24,000,000 of net notional 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 gains of \$601,663 (2023 - \$661,100), which are recorded on the statement of financial position as at March 31, 2024. The current year impact of the change in fair value of the interest rate swap is a decrease in accumulated remeasurement gains of \$59,437 (2023 - increase of \$250,557).

CHEO has entered into an interest rate swap agreement to convert \$25,000,000 of net notional floating rate long-term debt to a fixed rate of 3.85%. The maturity date of the interest rate swap is September 29, 2043. The interest rate swap has unrealized accumulated remeasurement gains of \$5,978 (2023 - \$Nil), which are recorded on the statement of financial position as at March 31, 2024. The current year impact of the change in fair value of the interest rate swap is an increase in accumulated remeasurement gains of \$5,978 (2023 - \$Nil).

The fair value of the interest rate swaps have been determined using Level 2 of the fair value hierarchy. The fair value of the interest rate swaps are 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 instruments.

14. 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, 2024. The most recent actuarial valuation of employee future benefits for accounting purposes was completed as at March 31, 2022.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

14. Accrued employee future benefits:

The liability associated with the post-retirement and post-employment plans as at March 31, 2024 is as follows:

| | 2024 | 2023 |
|------------------------------------|---------|---------|
| Accrued benefit obligation: | | |
| Balance, beginning of year | \$8,553 | \$8,327 |
| Current benefit cost | 373 | 352 |
| Interest | 332 | 322 |
| Benefits paid | (384) | (448) |
| Balance, end of year | 8,874 | 8,553 |
| Unamortized actuarial losses | (325) | (413) |
| EORLA accrued benefit | 98 | 98 |
| Employee future benefits liability | \$8,647 | \$8,238 |

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 \$98,400 (2023 - \$98,400) as at March 31, 2024 will be reduced as benefits are paid out to former employees of CHEO.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

14. Accrued employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the accrued benefit obligation as at March 31, 2024 are as follows:

| | 2024 | 2023 |
|-------------------|---|-------|
| Discount rate | 3.89% | 3.89% |
| Medical inflation | 5.75% for year ended March 31, 2022 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 2040 | |

Healthcare of Ontario Pension Plan:

Substantially all of the employees of CHEO are eligible to be members of the Healthcare 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 on behalf of its employees amounted to \$22,843,632 (2023 - \$17,466,545). These amounts are included as operating expenses in the statement of operations.

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, 2023 indicates the plan is fully funded.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

15. Asset retirement obligations:

CHEO's asset retirement obligations consist of several obligations as follows:

(a) Asbestos obligation:

CHEO owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, CHEO recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. The buildings had an estimated useful life of between 66 and 77 years when they were purchased between the years 1973 and 1984 of which 27 years remain. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

During the year, CHEO increased the asset retirement obligation cost estimates by \$200,216 to reflect an escalation in building construction price indexes for asbestos removal. There was no material remediation performed on the affected buildings in the current year.

(b) Contractual end of term lease obligations:

CHEO leases several properties that have contractual end of term obligations requiring the premises to be returned to their original state. The original leases were signed between 2002 and 2012 and the leases terms, including executed extensions, range from 11 to 17 years. The timing of remedial work cannot yet be reasonably estimated, so no discounting has been applied to the liability.

During the year, CHEO increased the asset retirement obligation cost estimates by \$21,869 to reflect an escalation in building construction price indexes for general renovations. There was no work performed to return the leased properties to their original state in the current year.

(c) Fuel storage tanks:

CHEO owns fuel storage tanks which represent an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The fuel storage tanks had an estimated useful life of 30 years when they were purchased 2008 of which 15 years remain. The timing of removal and decommissioning cannot yet be reasonably estimated, so no discounting has been applied to the liability.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

15. Asset retirement obligations (continued):

(c) Fuel storage tanks (continued):

During the year, CHEO increased the asset retirement obligation cost estimates by \$10,679 to reflect an escalation in price indexes for fuel storage tank removal. There was no work performed to remove the fuel storage tanks in the current year.

The asset retirement obligations at year end are as follows:

| | 2024 | 2023 |
|---|---------|---------|
| Asbestos removal | \$4,009 | \$3,809 |
| Contractual end of term lease obligations | 142 | 120 |
| Fuel storage tanks | 69 | 58 |
| Total | \$4,220 | \$3,987 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

16. Net assets invested in capital assets:

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

| | 2024 | 2023 |
|---|-----------------|-----------------|
| Capital assets | \$267,394 | \$191,174 |
| Amounts financed by: | | |
| Deferred contributions for capital assets | (190,473) | (124,652) |
| Long-term debt | (35,214) | (31,981) |
| Total | \$41,707 | \$34,541 |

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, 2024

(Tabular amounts in thousands of dollars)

16. Net assets invested in capital assets:

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

| | 2024 | 2023 |
|---|----------------|------------------|
| Purchase of capital assets | \$92,080 | \$35,678 |
| Loss on disposal of capital assets | (2) | 0 |
| Proceeds on disposal of capital assets | (16) | 0 |
| Donated capital assets | 0 | 6,193 |
| Amortization of capital assets | (15,842) | (19,620) |
| Increase in long-term debt | (3,233) | (14,401) |
| Deferred contributions for capital assets | (75,591) | (24,072) |
| Amortization of deferred contributions for capital assets | 9,770 | 9,943 |
| Total | \$7,166 | \$(6,279) |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

17. 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 2022, the TEA was re-negotiated and resulted in an extension of its term from January 1, 2022 to December 31, 2033.
- (b) CHEO is also committed under supplier contracts to purchase services for the next five years for a total amount of \$45,003,442 (2023 - \$27,981,966).
- (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, 2024.

18. 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., CHEO School Authority, Eastern Ontario Regional Laboratory Association Inc. and Ottawa Regional Hospital Linen Services Inc. 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, 2024

(Tabular amounts in thousands of dollars)

18. Related entities (continued):

Children's Hospital of Eastern Ontario Foundation (the "Foundation")

During the year, CHEO recorded total contributions from the Foundation in the amount of \$8,050,257 (2023 - \$9,598,566) allocated as follows: operating contributions \$2,562,693 (2023 - \$1,186,419), capital contributions \$5,487,564 (2023 - \$5,904,467) and other special purpose funds in the amount of \$Nil (2023 - \$2,507,680). 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 Inc. (the "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 (2023 - \$395,500). Where applicable, costs initially paid by CHEO 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 (2023 - \$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.

CHEO School Authority (the "School Authority")

CHEO provides administrative services, including financial accounting, human resources, material management and information services, to the School Authority for a total annual fee of \$411,265 (2023 - \$411,625). All operating and capital expenses of the School Authority are initially paid by CHEO and subsequently billed back on a cost recovery basis. The School Authority is a tax-exempt organization created without share capital under the Education Act.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

18. Related entities (continued):

Eastern Ontario Regional Laboratory Association Inc. ("EORLA")

CHEO is a founding member of EORLA which was established to provide specialized laboratory services to the sixteen 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. As at March 31, 2024, CHEO had an economic interest of \$2,128,753 (2023 - \$1,607,191) of total net assets of \$25,380,896 (2023 - \$19,005,175). During the year, CHEO paid \$8,808,000 (2023 - \$9,496,800) for laboratory services provided by EORLA.

Ottawa Regional Hospital Linen Services Inc. ("ORHLS")

CHEO is a founding member of ORHLS which 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, 2024, CHEO had an economic interest of \$1,861,633 (2023 - \$1,619,189) of total net assets of \$23,320,365 (2023 - \$20,600,097). For the year ended March 31, 2024, CHEO paid \$1,462,887 (2023 - \$1,657,472) to ORHLS for laundry services.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

19. 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 7.

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 | 2024 Total |
|------------------------|--------------|-----------------|------------|-----------------|
| Short-term investments | \$193 | \$0 | \$0 | \$193 |
| Treasury bill | 0 | 1,402 | 0 | 1,402 |
| Provincial bonds | 0 | 1,566 | 0 | 1,566 |
| Corporate bonds | 0 | 26,465 | 0 | 26,465 |
| Interest rate swaps | 0 | 608 | 0 | 608 |
| Total | \$193 | \$30,041 | \$0 | \$30,234 |

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

19. Financial instruments (continued):

| | Level 1 | Level 2 | Level 3 | 2023 Total |
|----------------------------|----------------|-----------------|------------|-----------------|
| Cash | \$42 | \$0 | \$0 | \$42 |
| Short-term investments | 1,778 | 0 | 0 | 1,778 |
| Treasury bill | 0 | 2,752 | 0 | 2,752 |
| Government of Canada bonds | 0 | 3,910 | 0 | 3,910 |
| Provincial bonds | 0 | 2,053 | 0 | 2,053 |
| Corporate bonds | 0 | 17,884 | 0 | 17,884 |
| Interest rate swaps | 0 | 661 | 0 | 661 |
| Total | \$1,820 | \$27,260 | \$0 | \$29,080 |

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.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

19. Financial instruments (continued):

Financial risk factors (continued)

(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 corporate entities. CHEO believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established.

(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. CHEO's liquidity risk has increased in the year due to the effect of on-going operating losses and payments made related to Bill 124 on its overall liquidity. CHEO will require sufficient and timely funding from the Ontario Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

19. Financial instruments (continued):

Financial risk factors (continued)

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

(i) 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 13). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

(ii) Currency and other price risk:

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

CHEO's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to CHEO's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

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

| | 2024 | 2023 |
|---|-----------------|-----------------|
| Accounts receivable | \$(46,630) | \$4,555 |
| Due to/from related parties | (1,119) | 3,600 |
| Inventories | 712 | (167) |
| Prepaid expenses | (1,280) | (130) |
| Accounts payable and accrued liabilities | 69,075 | 22,886 |
| Net change in non-cash operating working capital | \$20,758 | \$24,235 |

21. Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. Following an appeal process, the Province of Ontario repealed Bill 124 in its entirety on February 23, 2024. As a result of the initial court decision, reopener provisions were triggered that required renewed negotiations with certain labour groups on compensation for years that were previously capped by the legislation. During the year, the Hospital paid a total of \$14,985,417 in retroactive wage adjustments to active and former employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amount of salaries and wages.

Ontario Health has provided the Hospital with one-time funding to partially offset the cost of the retroactive wage adjustments, as well as ongoing impacts of the reopener provisions up to March 31, 2024.

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

Notes to Financial Statements (continued)

Year ended March 31, 2024

(Tabular amounts in thousands of dollars)

21. Bill 124 (continued):

The amounts paid for retroactive wage adjustments, net of accruals made in the fiscal year ended March 31 2023, and the associated Ontario Health funding has been presented separately in the statement of operations.

22. Comparative information:

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

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

Schedule A - Other funded programs

Year ended March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | | | 2024 | | | 2023 |
|---|---------------|---------------|----------------|---------------|---------------|----------|
| | Revenue | Expenses | Net | Revenue | Expenses | Net |
| Ministry of Health/Ontario Health: | | | | | | |
| Clinical Education | \$1,233 | \$1,233 | \$0 | \$1,181 | \$1,181 | \$0 |
| Municipal Taxes | 17 | 17 | 0 | 17 | 17 | 0 |
| Integrated Home & Community Care | 22,440 | 22,780 | (340) | 20,148 | 20,148 | |
| Special Drug Program | 2,774 | 2,774 | 0 | 2,758 | 2,758 | 0 |
| Community Mental Health and Addictions | 1,186 | 1,217 | (31) | 1,108 | 1,108 | 0 |
| Child and Youth Mental Health | 4,850 | 5,088 | (238) | 5,085 | 5,085 | 0 |
| ECHO | 549 | 565 | (16) | 549 | 549 | 0 |
| Knowledge Institute on Child and Youth Mental Health and Addictions | 6,195 | 6,382 | (187) | 6,400 | 6,400 | 0 |
| 1Call1Click | 2,524 | 2,563 | (39) | 1,700 | 1,700 | 0 |
| Mental Health Eating Disorder Program Expansion | 5,469 | 5,747 | (278) | 4,945 | 4,945 | 0 |
| Acute Mental Health | 3,040 | 3,040 | 0 | 0 | 0 | 0 |
| Grief Bereavement Support Programming | 13 | 13 | 0 | 0 | 0 | 0 |
| Total Ministry of Health/Ontario Health | 50,290 | 51,419 | (1,129) | 43,891 | 43,891 | 0 |

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

Schedule A - Other funded programs (continued)

Year ended March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | | | 2024 | | | 2023 |
|---|---------------|---------------|----------------|---------------|---------------|----------|
| | Revenue | Expenses | Net | Revenue | Expenses | Net |
| MCCSS programs: | | | | | | |
| Adults' DS Community Support Services | \$788 | \$832 | \$(44) | \$497 | \$497 | \$0 |
| Children's DS Community Support Services | 2,703 | 2,821 | (118) | 2,621 | 2,621 | 0 |
| Infant Development | 912 | 951 | (39) | 925 | 925 | 0 |
| Early Child Development | 120 | 128 | (8) | 8,319 | 8,319 | 0 |
| Out-of-Home Respite | 418 | 428 | (10) | 415 | 415 | 0 |
| Coordinated Service Planning | 1,327 | 1,363 | (36) | 1,327 | 1,327 | 0 |
| Physical Rehabilitation | 20,666 | 21,498 | (832) | 11,441 | 11,441 | 0 |
| Autism Services | 15,146 | 15,663 | (517) | 25,968 | 25,968 | 0 |
| Temporary Retention Incentive for Nurses | 0 | 0 | 0 | 29 | 29 | 0 |
| Healthy Babies Healthy Children | 219 | 219 | 0 | 354 | 354 | 0 |
| Healthy Child Development - Integrated Services for Children Information System | 0 | 0 | 0 | 87 | 87 | 0 |
| Infant Hearing Program Oversight Agency | 50 | 50 | 0 | 0 | 0 | 0 |
| Total MCCSS programs | 42,349 | 43,953 | (1,604) | 51,983 | 51,983 | 0 |

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

Schedule A - Other funded programs (continued)

Year ended March 31, 2024, with comparative information for 2023

(Tabular amounts in thousands of dollars)

| | | | 2024 | | | 2023 |
|--|----------|-----------|-----------|-----------|-----------|------|
| | Revenue | Expenses | Net | Revenue | Expenses | Net |
| Other programs: | | | | | | |
| First Words - Pinecrest Queensway | \$460 | \$486 | \$(26) | \$424 | \$424 | \$0 |
| Champlain Maternal Newborn Regional Program | 778 | 820 | (42) | 785 | 785 | 0 |
| National Newcomer Navigator Program | 1,699 | 1,702 | (3) | 1,499 | 1,499 | 0 |
| Preschool Program – City of Ottawa | 1,060 | 1,123 | (63) | 1,078 | 1,078 | 0 |
| Preschool SLP – Pinecrest Queensway | 1,382 | 1,467 | (85) | 1,382 | 1,382 | 0 |
| Canadian Hospitals Injury Reporting and Prevention Program | 139 | 144 | (5) | 107 | 107 | 0 |
| Complex Care for Kids Ontario – PCMCH | 843 | 876 | (33) | 1,063 | 1,063 | 0 |
| Integrated Home & Community Care PSL – Pinecrest Queensway | 332 | 350 | (18) | 332 | 332 | 0 |
| Linguistic Protocol | 163 | 163 | 0 | 0 | 0 | 0 |
| Inuit Child First Initiative | 147 | 147 | 0 | 0 | 0 | 0 |
| Other programs total | 7,003 | 7,278 | (275) | 6,670 | 6,670 | 0 |
| Grand total | \$99,642 | \$102,650 | \$(3,008) | \$102,544 | \$102,544 | \$0 |