

Financial Statements of

**QUEENSWAY CARLETON  
HOSPITAL**

Year ended March 31, 2020

# QUEENSWAY CARLETON HOSPITAL

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Year ended March 31, 2020

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## MANAGEMENT REPORT


### Management's Responsibility for the Financial Statements

The accompanying financial statements of Queensway Carleton Hospital (the "Hospital") as at and for the year ended March 31, 2020 are the responsibility of the Hospital's management and have been prepared in accordance with Canadian public sector accounting standards. The accounting policies followed by the Hospital are included in the summary of significant accounting policies outlined in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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



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May 29, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Queensway Carleton Hospital

### ***Opinion***

We have audited the financial statements of Queensway Carleton Hospital (the "Hospital"), which comprise:

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

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 29, 2020

# QUEENSWAY CARLETON HOSPITAL

## Statement of Financial Position

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

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 31,122	\$ 14,317
Short-term investments (note 4)	10,250	38,000
Accounts receivable (note 5)	6,959	7,477
Due from Queensway Carleton Hospital Foundation (note 15)	148	422
Inventories	1,359	935
Prepaid expenses	2,056	1,715
	<u>51,894</u>	<u>62,866</u>
Cash held for capital purposes	13,506	8,459
Capital assets (note 6)	228,970	223,988
	<u>\$ 294,370</u>	<u>\$ 295,313</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,756	\$ 38,906
Accrued vacation and overtime pay	4,929	4,771
Deferred revenue (note 8)	–	2,906
Current portion of long-term debt (note 9)	–	518
	<u>44,685</u>	<u>47,101</u>
Employee future benefits liability (note 10)	6,444	6,333
Deferred contributions related to capital assets (note 11)	200,403	201,145
	<u>251,532</u>	<u>254,579</u>
Net assets:		
Invested in capital assets (note 12)	42,073	30,791
Unrestricted	765	9,950
	<u>42,838</u>	<u>40,741</u>
Accumulated remeasurement losses	–	(7)
	<u>42,838</u>	<u>40,734</u>
Commitments, guarantees and contingent liabilities (notes 13 and 14)		
	<u>\$ 294,370</u>	<u>\$ 295,313</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

# QUEENSWAY CARLETON HOSPITAL

## Statement of Operations

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

	2020	2019
Revenue:		
Funding from governments	\$ 171,100	\$ 167,097
Inpatient and outpatient	7,085	6,260
Ontario Health Insurance Plan	15,131	14,615
Preferred accommodation	4,469	4,535
Recoveries and other	10,629	9,967
Amortization of deferred contributions related to major equipment	6,655	7,343
	215,069	209,817
Expenses:		
Salaries and benefits	150,342	146,521
Medical and surgical supplies	12,708	12,806
Drugs	4,251	4,027
Supplies and other	35,749	32,373
Amortization of major equipment	8,472	7,587
	211,522	203,314
Excess of revenue over expenses before undernoted items	3,547	6,503
Amortization of deferred contributions related to buildings	8,147	8,145
Amortization of buildings and other	(9,597)	(9,355)
	(1,450)	(1,210)
Excess of revenue over expenses	\$ 2,097	\$ 5,293

See accompanying notes to the financial statements.



# QUEENSWAY CARLETON HOSPITAL

## Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ 30,791	\$ 9,950	\$ 40,741	\$ 35,448
Excess of revenue over expenses	–	2,097	2,097	5,293
Net change in net assets invested in capital assets (note 12)	11,282	(11,282)	–	–
Balance, end of year	\$ 42,073	\$ 765	\$ 42,838	\$ 40,741

See accompanying notes to the financial statements.

# QUEENSWAY CARLETON HOSPITAL

## Statement of Remeasurement Gains and Losses

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

	2020	2019
Balance, beginning of year	\$ (7)	\$ (36)
Decrease in unrealized losses attributable to interest rate swaps	7	29
Balance, end of year	\$ —	\$ (7)

See accompanying notes to the financial statements.

# QUEENSWAY CARLETON HOSPITAL

## Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,097	\$ 5,293
Items not involving cash:		
Amortization of capital assets	18,069	16,942
Amortization of contributions related to capital assets	(14,802)	(15,488)
Net change in employee future benefits liability (note 10)	111	311
Net change in non-cash operating working capital (note 17)	(1,871)	9,448
	<u>3,604</u>	<u>16,506</u>
Investing activities:		
Purchase of short-term investments	(22,250)	(50,000)
Maturity of short-term investment	50,000	41,000
Increase in cash held for capital purposes	(5,047)	(3,348)
	<u>22,703</u>	<u>(12,348)</u>
Financing activities:		
Principal repayments of long-term debt	(511)	(646)
Capital activities:		
Purchase of capital assets	(23,051)	(26,238)
Contributions received for capital assets	14,060	14,684
	<u>(8,991)</u>	<u>(11,554)</u>
Increase (decrease) in cash	16,805	(8,042)
Cash, beginning of year	14,317	22,359
Cash, end of year	<u>\$ 31,122</u>	<u>\$ 14,317</u>

See accompanying notes to the financial statements.

# QUEENSWAY CARLETON HOSPITAL

## Notes to Financial Statements

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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### 1. Nature of entity:

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

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

### 2. Significant accounting policies:

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

#### (a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions.

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

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

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

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

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

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (b) Financial instruments:

The Hospital's financial instruments are measured as follows:

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

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

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

All non-derivative financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is reversed from the statement of remeasurement gains and losses.

### (c) Inventories:

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

### (d) Investments:

Purchases of investments are recorded on the settlement date.

### (e) Capital assets:

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

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 2. Significant accounting policies (continued):

### (e) Capital assets (continued):

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

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

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

### (f) Employee future benefits:

The Hospital accrues its obligations for benefit plans as the employees render the services necessary to earn these benefits. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, and management's best estimate of retirement ages of employees and expected health and dental care costs. The most recent actuarial valuation of the benefit plans was performed as at April 1, 2019 and extrapolated to March 31, 2020. The next required valuation will be as at April 1, 2022.

Actuarial gains or losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains or losses over the accrued benefit obligation is amortized over the expected average remaining service period of active employees. The expected average remaining service period of the active employees covered by the benefit plans is fifteen years (2019 - fifteen years).

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

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

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 2. Significant accounting policies (continued):

### (g) Long-term debt:

Long-term debt is recorded at amortized cost using the effective interest rate method. The fair values of the loans are based on an assessment of interest rate risk and credit risk. Fair value is determined under a discounted cash flow methodology using a discount rate based on interest rates currently charged for new loans with similar terms and remaining maturities, adjusted for a credit risk factor, which is reviewed at least annually. For certain variable rate loans that reprice frequently and for loans without a stated maturity, fair values are assumed to be equal to carrying values.

### (h) Derivative financial instruments:

The Hospital uses derivative financial instruments to manage interest rate risk. The only derivative products used by the Hospital are interest rate swaps. Derivative instruments are recorded on the statement of financial position as assets and/or liabilities and are measured at fair value. Derivatives with a positive fair value are reported as assets, and derivatives with a negative fair value are reported as liabilities.

Changes in the fair value of derivative financial instruments are included in statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps are recorded as an adjustment to interest expense in the same period.

### (i) Donated services:

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

### (j) Use of estimates:

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

# QUEENSWAY CARLETON HOSPITAL

## Notes to Financial Statements

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

### 3. Capital management:

The Hospital defines its capital as long-term debt, deferred contributions related to capital assets and its net assets. The conditions and restrictions for the long-term debt are described in note 9.

Through the management of its capital, the Hospital strives to maintain and expand capacity, where possible, to continue operations, including the renewal of capital assets, in order to remain a viable charitable, not-for-profit organization providing health care services. The Hospital relies on grants from the MOH and other government agencies as well as community contributions through the Queensway Carleton Hospital Foundation (note 15). The Hospital's definition of capital has not changed from the prior year, and the Hospital has complied with the conditions and requirements of capital grants, contributions and long-term debt throughout the year.

### 4. Short-term investments:

Short-term investments consist of:

	2020	2020
	Fair value	Cost and carrying value
Bank term deposit, face value \$10,250,000, maturity date March 29, 2021	\$ 10,250	\$ 10,250
<b>Total short-term investments</b>	<b>\$ 10,250</b>	<b>\$ 10,250</b>
	2019	2019
	Fair value	Cost and carrying value
Bank term deposit, face value \$6,000,000, maturity date April 22, 2019	\$ 6,000	\$ 6,000
Bank term deposit, face value \$6,000,000, maturity date July 22, 2019	6,000	6,000
Bank term deposit, face value \$6,000,000, maturity date August 27, 2019	6,000	6,000
Bank term deposit, face value \$10,000,000, maturity date September 30, 2019	10,000	10,000
Non-redeemable bank term deposit, face value \$10,000,000, maturity date March 27, 2020	10,000	10,000
<b>Total short-term investments</b>	<b>\$ 38,000</b>	<b>\$ 38,000</b>



# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 4. Short-term investments (continued):

The Hospital's bank term deposits with a total face value of \$10,250,000 (2019 - \$38,000,000), have interest rates of 1.20% (2019 - 2.23% to 2.52%).

## 5. Accounts receivable:

	2020	2019
Accounts receivable from patients	\$ 4,243	\$ 4,311
Ontario Ministry of Health	-	269
Eastern Ontario Regional Laboratory Association (note 15)	136	39
Champlain Health Supply Services (note 15)	673	773
Other	3,000	3,056
	8,052	8,448
Less allowance for doubtful accounts	(1,093)	(971)
	\$ 6,959	\$ 7,477

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

## 6. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land improvements	\$ 3,947	\$ 3,546	\$ 401	\$ 614
Buildings	188,053	55,672	132,381	122,431
Building service equipment	105,196	53,847	51,349	54,909
Major equipment	129,595	96,929	32,666	25,312
Construction-in-progress	12,173	-	12,173	20,722
	\$ 438,964	\$ 209,994	\$ 228,970	\$ 223,988

Cost and accumulated amortization as at March 31, 2019 amounted to \$415,913,000 and \$191,925,000, respectively.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 7. Line of credit:

The Hospital has an available line of credit of \$10,000,000 (2019 - \$10,000,000) with a corporate bank, of which no amount was drawn against at March 31, 2020. This line of credit is unsecured and bears interest at prime less 0.85% (2019 - prime less 0.85%).

## 8. Deferred revenue:

	2020	2019
Balance, beginning of year	\$ 2,906	\$ 2,834
Amount received during the year	174,337	181,200
Amount recognized as revenue	(173,049)	(176,720)
Amount reclassified to accounts payable	593	(1,979)
Amount reclassified to accounts receivable	(269)	(377)
Amount reclassified to deferred contributions related to capital assets	(4,518)	(2,052)
	\$ —	\$ 2,906

## 9. Long-term debt:

	2020	2019
Co-generation project bank loan, matured on December 31, 2019	\$ —	\$ 511
Accumulated unrealized losses on interest rate swaps	—	7
	—	518
Less current portion	—	518
	\$ —	\$ —

### (a) Co-generation project bank loan:

The Co-generation project bank loan matured on December 31, 2019 and no further principal repayments are required.

### (b) Interest rate derivative agreements:

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.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 9. Long-term debt (continued):

### (b) Interest rate derivative agreements (continued):

The Hospital entered into the following interest rate derivative arrangement:

The Hospital converted \$6,000,000 of floating rate debt of the Co-generation project bank loan to fixed rate debt of 5.88%. This derivative agreement was effective from September 15, 2003 to December 31, 2019.

### (c) Derivatives - notional amounts:

Notional amounts, which are not recorded in the financial statements, serve as a point of reference for calculating payments and are a common measure of business volume. The notional amount of the Hospital's derivative transaction is \$Nil (2019 - \$511,000).

## 10. Employee future benefits:

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

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

	2020	2019
Accrued benefit obligation and funded status - plan deficit	\$ 5,788	\$ 7,445
Unamortized actuarial losses (gains)	656	(1,112)
Employee future benefits liability	\$ 6,444	\$ 6,333

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

	2020	2019
Benefit expense, included in the statement of operations	\$ 287	\$ 475
Payments made by the Hospital during the year	(176)	(164)
Net change in employee future benefits liability	\$ 111	\$ 311

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 10. Employee future benefits (continued):

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

	2020	2019
Discount rate for calculation of net benefit costs	2.90%	3.10%
Discount rate for calculation of accrued benefit obligation	3.00	2.90
Dental costs rate increase	3.00	2.75
Extended health care costs rate increase	5.20	6.00
Expected average remaining service life of employees	15 years	15 years

## 11. Deferred contributions related to capital assets:

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

	2020	2019
Balance, beginning of year	\$ 201,145	\$ 201,949
Contributions received during the year:		
Ontario Ministry of Health (net contributions received less payable)	5,890	3,455
Queensway Carleton Hospital Foundation	4,574	5,887
Other	3,518	5,267
Interest earned on cash held for capital purposes	78	75
Amortization to revenue during the year	(14,802)	(15,488)
Balance, end of year	\$ 200,403	\$ 201,145

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

	2020	2019
Unspent capital contributions	\$ 13,506	\$ 8,459
Unamortized capital contributions	186,897	192,686
	\$ 200,403	\$ 201,145

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 12. Net assets invested in capital assets:

Net assets invested in capital assets are calculated as follows:

	2020	2019
Capital assets	\$ 228,970	\$ 223,988
Less amounts financed by:		
Deferred contributions	(186,897)	(192,686)
Long-term debt	–	(511)
<b>Net assets invested in capital assets</b>	<b>\$ 42,073</b>	<b>\$ 30,791</b>

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

	2020	2019
Purchase of capital assets	\$ 23,051	\$ 26,238
Amounts funded by deferred contributions	(14,060)	(14,684)
Changes in unspent contributions	5,047	3,348
Repayment of long-term debt	511	646
Amortization of deferred contributions related to capital assets	14,802	15,488
Amortization of capital assets	(18,069)	(16,942)
<b>Net change in net assets invested in capital assets</b>	<b>\$ 11,282</b>	<b>\$ 14,094</b>

## 13. Commitments and guarantees:

### (a) Operating leases:

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

### (b) Hospital redevelopment project:

In February 2017, the Hospital received Phase 1 approval of the implementation of the Mental Health project from the MOH. The total project costs to date are estimated to be \$9,990,000 including architect and related fees and equipment. The MOH will provide a maximum capital grant of up to \$9,059,000 towards this cost. The final project cost and corresponding grant will be determined at the time of award of the contract based on bid results. The balance of the project will be funded by the Queensway Carleton Hospital Foundation and the Queensway Carleton Hospital.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 13. Commitments and guarantees (continued):

### (c) Bank loan:

The Hospital has guaranteed a bank loan obtained by the Queensway Carleton Hospital Foundation for the maximum amount of \$12,375,000, excluding interest and expenses. The Foundation used the proceeds of this loan to pay the license fee disclosed in note 15. The Hospital is not aware of any facts which would cause a default of the loan by the Foundation. At March 31, 2020, the Foundation had an outstanding balance of \$4,012,000 (2019 - \$5,403,000).

### (d) Line of credit:

As a result of the sale of Healthcare Food Services, Inc. ("HFS") on May 13, 2019, all outstanding debt of HFS has been settled, resulting in the Hospital no longer having a guarantee with respect to HFS or Ottawa Hospitals Food Association ("OHFA"). At March 31, 2020, OHFA had \$Nil (2019 - HFS had \$2,616,000) outstanding on an available line of credit of \$2,000,000 (2019 - \$4,600,000).

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

## 14. Contingent liabilities:

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

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

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 14. Contingent liabilities (continued):

A group of hospitals, including the Hospital, formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2020.

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

- i) A letter of credit in the amount of \$217,000 as required by the Hospital's site plan agreement with the City of Ottawa related to the 2014 completion of the construction of the Hospital's Phase 111A Redevelopment project.
- ii) A letter of credit in the amount of \$14,000 as required by the Hospital's site plan agreement with the City of Ottawa for a 47-space surface parking lot.
- iii) A letter of credit for \$50,000 as required by the Hospital's site plan agreement with the City of Ottawa related to the Mental Health project per note 13 (b).

## 15. Related party transactions:

- (a) Queensway Carleton Hospital Foundation:

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

During the year ended March 31, 2020, the Foundation contributed \$4,574,000 (2019 - \$5,887,000) to the Hospital for capital purposes. In addition, the Foundation contributed \$30,000 (2019 - \$106,000) in other contributions. As at March 31, 2020, the Foundation has a fund balance of \$13,666,000 (2019 - \$12,278,000).

In 2009, the Hospital signed a twenty-year License Agreement with the Foundation whereby the Foundation has the exclusive right to operate the parking facilities in exchange for a one-time upfront license fee in the amount of \$11,927,000 plus applicable taxes, equal to the fair value of the parking facilities at the time of the agreement. In connection with the License Agreement, in 2009, the Hospital and the Foundation signed two separate agreements whereby the Foundation purchases services from the Hospital for maintenance/repair and management of the parking facilities. For the year ended March 31, 2020, the Foundation paid the Hospital \$887,000 (2019 - \$851,000) for maintenance and repairs and \$238,000 (2019 - \$249,000) for management of the parking facilities.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 15. Related party transactions (continued):

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

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

For the year ended March 31, 2020, the Hospital provided \$26,000 (2019 - \$230,000) to HFS for food services. These amounts have been included in supplies and other on the statement of operations.

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

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

At March 31, 2020, the Hospital had an economic interest of \$334,000 in OHFA (2019 - \$550,000 in HFS) of total net assets of \$5,517,000 (2019 - \$8,722,000).

Included in accounts payable at March 31, 2020 is a payable to OHFA of \$13,000 (2019 - \$13,000 to HFS)

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

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

At March 31, 2020, the Hospital had an economic interest in ORHLS of \$1,175,000 (2019 - \$1,451,000) of total net assets of \$10,373,000 (2019 - \$13,016,000).

For the year ended March 31, 2020, the Hospital provided a total of \$1,950,000 (2019 - \$2,011,000) to ORHLS for linen services. This amount has been included in supplies and other on the statement of operations.

Included in accounts payable at March 31, 2020 is a payable to ORHLS of \$189,000 (2019 - \$163,000).



# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 15. Related party transactions (continued):

### (d) Eastern Ontario Regional Laboratory Association:

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

EORLA charges member hospitals, including the Hospital, on a cost-per-test basis. Included in supplies and other expenses are \$7,922,000 (2019 - \$7,781,000) in laboratory charges from EORLA.

Included in accounts receivable at March 31, 2020 is a receivable from EORLA of \$136,000 (2019 - \$39,000).

Included in accounts payable at March 31, 2020 is a payable to EORLA of \$50,000 (2019 - \$309,000).

### (e) Champlain Health Supply Services:

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

Included in supplies and other expenses are \$154,000 (2019 - \$145,000) for the Hospital's portion of CHSS' operating expenses.

Included in accounts payable at March 31, 2020 is a payable to CHSS of \$154,000 (2019 - \$145,000).

Included in accounts receivable at March 31, 2020 is a receivable from CHSS of \$673,000 (2019 - \$773,000) for payments made by the Hospital on behalf of CHSS.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

## 16. Pension plan:

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

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

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2019 indicated the Plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$8,772,000 (2019 - \$8,501,000) and are included in the statement of operations.

## 17. Net change in non-cash operating working capital:

	2020	2019
Accounts receivable	\$ 518	\$ 3,102
Due from Queensway Carleton Hospital Foundation	274	(287)
Inventories	(424)	(36)
Prepaid expenses	(341)	(165)
Accounts payable and accrued liabilities	850	6,896
Accrued vacation and overtime pay	158	(134)
Deferred revenue	(2,906)	72
Net change in non-cash operating working capital	\$ (1,871)	\$ 9,448

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 18. Financial instruments:

### (a) Fair value:

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

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

The fair value of long-term debt is not materially different from the carrying value.

### (b) Fair value hierarchy:

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

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

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

Cash (including cash held for capital purchases) and short-term investments are classified as a level 1 financial asset and the interest rate swap is a level 2 financial liability.

There were no transfers between levels for the year ended March 31, 2020.

### (c) Financial instrument risk management:

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

#### *Credit risk:*

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

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 18. Financial instruments (continued):

### (c) Financial instrument risk management (continued):

#### *Credit risk (continued):*

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

The Hospital considers receivables to be past due when they are over 90 days old. At March 31, 2020, the balance of receivables over 90 days is \$489,000 (2019 - \$298,000). Of this amount, \$137,000 (2019 - \$19,000) is receivable from partner hospital organizations. The Hospital does not consider these amounts to be impaired due to the nature of the receivables and the nature of the counterparty. The remaining balance relates to patient and other receivables. The Hospital actively manages and monitors these receivables balances. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

#### *Liquidity risk:*

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

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

Exposure to liquidity risk decreased from the prior year as long-term debt matured on December 31, 2019 and no further principal repayments are required (note 9).

#### *Market risk:*

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

#### *Interest rate risk:*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

The Hospital is not exposed to significant interest rate risks arising from its financial instruments.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 18. Financial instruments (continued):

(c) Financial instrument risk management (continued):

### *Interest rate risk (continued):*

In the previous year there was a risk to the Hospital's earnings from long-term debt and the exposure to fluctuations in interest rates and the degree of volatility of these rates. To effectively manage this risk, the Hospital had entered into an interest rate swap agreement that was effective from September 15, 2003 to December 31, 2019. As the long-term debt and interest rate swap agreement matured on December 31, 2019 the associated risk exposure and risk mitigation matured (note 9).

The Hospital has established strict guidelines that are monitored regularly and does not hold or issue derivative financial instruments for trading or speculative purposes.

### *Currency and other price risk:*

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

## 19. Comparative information:

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

## 20. Impact of Coronavirus COVID-19 Pandemic:

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

From March 2, 2020 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;
- 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 the transfer of alternative level of care patients to other facilities; 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 increases in operating costs.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 20. Impact of Coronavirus COVID-19 Pandemic (continued):

### (a) Current year transactions:

For the year ended March 31, 2020, the Ministry of Health and Long Term Care of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital incurred COVID-related expenses exceeding this amount of funding and recorded the activity in the statement of operations.

### (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 individuals, businesses and foreign entities because of the economic slowdown and changes in operations caused by COVID-19. The Hospital is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties. The Hospital has updated its allowance for doubtful accounts to include considerations related to COVID-19.

#### (ii) Liquidity risk:

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

#### (iii) Market risk:

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

##### a) Currency risk:

The Hospital's investments in foreign currency instruments have heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic.

# QUEENSWAY CARLETON HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2020

(Tabular amounts in thousands of dollars)

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## 20. Impact of Coronavirus COVID-19 Pandemic (continued):

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

(iii) Market risk (continued):

b) Other price risk:

Other price risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in equity markets.

The Hospital is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Hospital's operations and financial position.

c) Interest rate risk:

The Hospital is not exposed to significant interest rate risk.

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.