



## Application for an Electricity Generation Licence

### Application Instructions

#### 1. Purpose of this Form

Use this form to apply, under section 60 of the *Ontario Energy Board Act, 1998* (OEB Act), for an “electricity generation” licence. An electricity generation licence issued by the Ontario Energy Board (OEB) enables the licensee to generate electricity or provide ancillary services for sale through the IESO-administered markets or directly to another person; purchase electricity or ancillary services in the IESO-administered markets or directly from a generator; and, sell electricity or ancillary services through the IESO-administered markets or directly to another person, other than a consumer.

Feed-in Tariff program generators should use the licence application form specified for Feed-in Tariff program generators, which can be found on the "Apply for a Licence" page of the "Industry" section of the OEB's website at [www.oeb.ca](http://www.oeb.ca).

#### 2. Completion Instructions

This form is in writeable PDF and can be completed electronically. If necessary, **responses may be continued on additional pages**. The applicant is encouraged to complete the form electronically, save the completed form and file it, along with any attachments, by e-mail to: [boardsec@oeb.ca](mailto:boardsec@oeb.ca).

**THE APPLICANT MUST ALSO SEND TWO PAPER COPIES OF THE COMPLETED AND SIGNED APPLICATION FORM, ALONG WITH TWO PAPER COPIES OF ANY ATTACHMENTS AND THE APPROPRIATE APPLICATION FEE TO:**

Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

The OEB uses the following three main criteria to assess applicants for an electricity generation licence:

- The applicant's ability to be a financially viable entity with respect to the activities the applicant intends to undertake;
- The applicant's technical capability and experience with respect to the activities the applicant intends to undertake; and
- The applicant and its key individuals' past business history and conduct such that they afford reasonable grounds for belief that the applicant will carry on business in accordance with the law, integrity and honesty.

The information requested in this application form relates to the above noted criteria. The applicant must complete and file the information requested in this application form. The OEB may require information that is additional to the information filed in this application form. Also, filing of a completed application form does not preclude the applicant from filing additional information.

Any questions regarding the completion of this application should be directed to the OEB at [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca).

### 3. Application and Registration Fees

A non-refundable application fee is required to process this application. Please enclose a cheque or money order made payable to the **ONTARIO ENERGY BOARD**. If a licence is issued, the licensee may be required to pay an annual registration fee. The amounts of the application fee and the annual registration fee are indicated on the “Apply for a Licence” page of the “Industry” section of the OEB's website at [www.oeb.ca](http://www.oeb.ca).

### 4. Confidentiality

Information filed as part of or in support of sections 12 to 16 of this application will be treated as confidential. All other information filed as part of or in support of this application will be placed on the public record. Where the applicant objects to public disclosure of information filed as part of or in support of sections other than sections 12 to 16, the applicant must follow the procedure set out in the OEB's Practice Direction on Confidential Filings.

### 5. Important Information

Applicants should consider the timelines required to process applications to avoid submitting applications too early or too late. Submitting applications too early without reasonable certainty of the proposed licensed activities will impede regulatory efficiency while submitting applications too late will leave the applicant to bear the risk of delayed commencement of licensed activities. Processing timelines are indicated on the “[Apply for a Licence](#)” page of the OEB's website at [www.oeb.ca](http://www.oeb.ca). If submitted incomplete, there may be a delay in processing the application.

Applicants must make a copy of the non-confidential sections of the application available to any person who requests a copy of the application.

**Ontario Energy Board**  
P.O. Box 2319  
2300 Yonge Street  
27th Floor  
Toronto ON M4P 1E4  
Telephone: 1-888-632-6273  
Facsimile: (416) 440-7656

**Commission de l'énergie  
l'Ontario**  
C.P. 2319  
2300, rue Yonge  
27e étage  
Toronto ON M4P 1E4  
Téléphone: 1-888-632-6273  
Télécopieur: (416) 440-7656



## Application for an Electricity Generation Licence

For Office Use Only	
Application Number	EB- 2021-0201
Date Received	

### 1. The Applicant

Legal Name of the Applicant : Hamilton Health Sciences Corporation

Business Classification:

☐ Sole Proprietor

☐ Partnership

☒ Corporation

☐ Other (describe) \_\_\_\_\_

Date of formation or incorporation: 2013/11/29

Place of formation or incorporation:

Province/State Ontario

Country Canada

If the applicant is an individual, the applicant must be at least 18 years old. If the applicant is an individual, is he or she at least 18 years old?

☐ Yes

☐ No

☒ Not Applicable - not an individual

Head Office or Business Address of Applicant

100 King Street West

City	Province/State	Country	Postal/Zip Code
<u>Hamilton</u>	<u>Ontario</u>	<u>Canada</u>	<u>L8N 3Z5</u>

Phone Number	Toll Free (if available)	E-mail Address
<u>905-521-2100</u>	<u></u>	<u>campbellmi@hhsc.ca</u>

Website Address hamiltonhealthsciences.ca

## 2. Application Type

☒ New

☐ Renewal, provide the licence number and expiry date of the current licence.

Licence Number \_\_\_\_\_ Expiry Date \_\_\_\_\_

## 3. Licence Primary Contact

The licensee shall designate a person who will act as primary contact with the OEB on matters related to the licence.

Mr. <input checked="" type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>	Cuthbert	Christopher	M
Other <input type="radio"/> _____		Title/Position		
		Manager, Cogeneration and Energy		
		Company Name		
		Hamilton Health Sciences Corporation		

Licence Primary Contact Address:

Room 1D8 McMaster University Medical Center, 1200 Main Street West

City	Province/State	Country	Postal/Zip Code
Hamilton	Ontario	Canada	L8N 3Z5

Phone Number	Toll Free (if available)	E-mail Address
905-521-2100 ext 75438		cuthbchr@hhsc.ca

## 4. Application Primary Contact

☒ Indicate if same as above. Proceed to section 5.

The primary contact for the licence application may be a person within the applicant's organization other than the licence primary contact noted above. An applicant may also choose to designate a consultant, lawyer, etc. to be the primary contact for the licence application. The OEB will communicate with this person during the course of the application review process but with the licence primary contact after a licence is issued.

Mr. <input type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>			
Other <input type="radio"/> _____		Title/Position		
		Company Name		

Application Primary Contact Address:

City

Province/State

Country

Postal/Zip Code

Phone Number

Toll Free (if available)

E-mail Address

## 5. Trade Names

The electricity generation licence authorizes the licensee to conduct business using the name under which the licence is held (i.e. the applicant's legal name). It also provides for the use of trade names by the licensee.

Does the applicant intend to use trade names?

- ☐ Yes, provide a list of trade names the applicant intends to use in the space provided below.
- ☒ No, proceed to section 6.

## 6. Applicant's Licensing Status and History

- (a) Has the applicant, an affiliate of the applicant, or an associated entity (e.g., a partnership or limited partnership), ever been licensed by the OEB? (The *Business Corporations Act* definition for affiliate can be found at [www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca))

- ☒ Yes, provide details of current and expired licences in the table below.
- ☐ No, proceed to 6(b).

Licensee Name	Relation to the Applicant (e.g., applicant itself, affiliate, partner...etc.)	Licence Number
Bay Area Health Trust	Trustee of Hamilton Health Sciences	EB-2003-0260
West Lincoln Memorial Hospital	A site of Hamilton Health Sciences	EG-2002-0382

(b) Does the applicant, an affiliate of the applicant, or an associated entity have any other application(s) before the OEB?

☐ Yes, provide details in the table below.

☒ No, proceed to 6(c).

Applicant Name	Relationship to this Applicant	Type of Application	OEB File Number

(c) Has the applicant, an affiliate of the applicant, or an associated entity ever undertaken energy sector activity in any other jurisdiction within North America?

☐ Yes, provide details in the table below.

☒ No

Company Name	Relation to the Applicant	Jurisdiction	Business Activity	Name of Licensing Body and Licence/Registration No. (if applicable)

## 7. Key Individuals

In the table below, identify all key individuals associated with the applicant's business. Key individuals include sole proprietors, each partner, all officers and directors of a corporation, all shareholders with 10% or more of the equity shares of a corporation, managers, and any other individuals with a beneficial interest.

Name of Key Individual	Title/Position within Applicant's Business (or identify company if not the Applicant's Business)
Rob MacIsaac	Chief Executive Officer
Dave Lazzarato	Chair, Board of Directors

## 8. Intended Services and Markets

- (a) The OEB Act defines “ancillary services” as services necessary to maintain the reliability of the IESO-controlled grid, including frequency control, voltage control, reactive power, and operating reserve services. Does the applicant intend to sell electricity or ancillary services into the IESO administered market?

☐ Yes

☒ No

- (b) Does the applicant intend to settle with an electricity distributor for the electricity injected into the distribution system in accordance with the retail settlement system?

☒ Yes, please identify the electricity distributor Alectra Utilities

☐ No

- (c) Does the applicant intend to sell electricity to another person?

☐ Yes

☒ No

If yes, is this person a consumer (i.e., a person who uses, for the person's own consumption, electricity that the person did not generate)?

☐ Yes. The applicant may require a retailer licence. The application form can be found at [www.oeb.ca](http://www.oeb.ca)

☒ No

## 9. Facility Description

Is the applicant applying to be licensed for more than one facility?

☒ Yes, please make a copy of sections 9, 10 and 11 for each facility and provide information for each facility

☐ No

Generation Type

☐ Diesel ☒ Natural Gas ☐ Water ☐ Wind

☐ Other, please specify \_\_\_\_\_

Installed Capacity 7 MW

Number of Units 4

If the applicant is selling ancillary services, please describe: \_\_\_\_\_

Facility name: Juravinski Hospital and Cancer Center Cogeneration Plant (Formerly Henderson Hospital)

Facility Address: 711 Concession St, Hamilton

## Licence Responsibility/Qualification Sought

- ☒ Owner and Operator
- ☐ Owner Only. Please identify operator \_\_\_\_\_
- ☐ Operator Only. Please identify owner \_\_\_\_\_

If the applicant is applying for only one of the two qualifications, please provide information on the status of the other qualification. The information should include confirmation as to whether or not the person or entity seeking the other qualification is licensed; if licensed, please provide the licence number and, if not, indicate when an application for the other qualification will be filed with the OEB.

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## 10. Facility History and Status

Is the facility in commercial service?

- ☒ Yes, proceed to section 10(a)
- ☐ No, proceed to section 10(b) or 10(c) as applicable.

### (a) Existing Facility in Commercial Service

When did this facility achieve commercial operation? Sep 1, 2006

Is the applicant the original owner and operator?

- ☐ Yes
- ☒ No, identify previous owner and operator: Bay Area Health Trust

### (b) New Facility

Has facility construction commenced?

- ☐ Yes
- ☐ No

What is the expected commercial in service date? \_\_\_\_\_

### (c) Existing Facility **NOT** in Commercial Service

What is the expected commercial in service date? \_\_\_\_\_

Please provide a list of all other regulatory approvals required (e.g. environmental, municipal, etc.). Please identify the status of each approval.

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## 11. Connection

What is the voltage at the perimeter of the applicant's property from the output of the generation facility?

☒ 50 kV or less, proceed to section 11(a)

☐ greater than 50 kV, proceed to section 11(b)

- (a) The OEB Act defines a "distribution system" as a system for distributing electricity, and includes any structures, equipment or other things used for that purpose. "Distribute", with respect to electricity, means to convey electricity at voltages of 50 kV or less.

Describe the existing or future distribution system from the output of the generation facility to the connection point with the electricity distributor or to the connection point with the transmission system (e.g., length of line, transformers, etc.).

The Generators operate at 4.16 KV, and are parallel connected to the the Alectra Utilities Incoming 13.8 KV Service in the Hospital Primary Electrical Building, on the secondary side of the 13.8-4.16 KV Transformers. Line Length approx 60 M

Does (or will) the applicant own and/or operate the distribution system?

☐ Yes

☒ No, identify the owner and/or operator of the distribution system Alectra Utilities

If yes, does the applicant own and/or operate the distribution system only for the purpose of conveying electricity from the generation facility to the IESO-controlled grid?

☒ Yes

☐ No, describe the purpose of the distribution system \_\_\_\_\_

If the answer to the question above is no, the applicant may require a distribution licence. The application form can be found at [www.oeb.ca](http://www.oeb.ca).

Does (or will) the distribution system connect the generation facility to an electricity distributor?

☒ Yes, identify the electricity distributor Alectra Utilities

☐ No, proceed to section 11(b)

- (b) The OEB Act defines a "transmission system" as a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose. "Transmit", with respect to electricity, means to convey electricity at voltages of more than 50 kV.

Describe the existing or future transmission system from the output of the generation facility or applicant's distribution system to the connection point with the transmission network (e.g., length of line, transformers, etc.).

Does (or will) the applicant own and/or operate the transmission system?

☐ Yes

☒ No, identify the owner and/or operator of the transmission system Alectra Utilities

If yes, does the applicant own and/or operate the transmission system only for the purpose of conveying electricity from the generation facility to the IESO-controlled grid?

☐ Yes

☐ No, describe the purpose of the transmission system \_\_\_\_\_

\_\_\_\_\_  
If the answer to the question above is no, the applicant may require a transmission licence. The application form can be found at [www.oeb.ca](http://www.oeb.ca).

Information filed as part of or in support of sections 12 to 16 of this application will be treated as confidential.

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## **12. Corporate Organization**

- (a) Provide a corporate organization chart for the applicant.
- (b) Provide a description of the applicant's current business activities and the applicant's corporate organization including the applicant's relationship with its affiliates and associated entities.

Hamilton Health Sciences Corporation has no subsidiaries. It is a hospital regulated under the Public Hospitals Act (Ontario).

## **13. Finance**

- (a) Provide the audited financial statements for the applicant for the last two years. If audited financial statements are not available, provide unaudited financial statements for the applicant for the last two years. Documents must be signed by at least one key individual.

If the applicant does not have financial statements for itself, the applicant may submit the financial statements of its parent company. If the applicant submits the financial statements of its parent company, the applicant must also provide a parental guarantee. Please note that the OEB has developed a parental guarantee template which the applicant may use by entering the necessary information and submitting it with the application. Further information, including a copy of the template, may be obtained by contacting the OEB at [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca). An applicant may wish to provide its own parental guarantee; however, this will be subject to review during the application review process to determine whether or not it is satisfactory.

If the applicant does not submit financial statements for itself or its parent company, along with a parental guarantee, the applicant must identify and attach to its application at least two of the following items:

- ☐ Most recent prospectus and quarterly report.
- ☐ If the applicant is a new entity, pro forma financial statements for two years along with notes or business plan explaining the assumptions used in preparing the pro forma statements. Documents must be signed by at least one key individual.
- ☐ Letter of reference from the applicant's bank showing the following information:
- Details respecting any line(s) of credit available to the applicant including dollar limit amount, outstanding amount as of current date, terms and conditions and whether the account is secured;
  - Details respecting cash and cash equivalents (names of short-term investments, amounts and expiry dates if applicable; name of saving/chequing accounts, date accounts opened, account balances as of current date); and
  - Details of any bank guarantee and/or letter of credit available to the applicant including amounts and the terms and conditions.

- ☐ Other, specify (e.g., proof of meeting the prudential payments required in the IESO wholesale market, general liability insurance, credit reports or credit ratings regarding the applicant's payment and credit history)
- 

If the financial statements of either the applicant or its parent company demonstrate that the applicant or parent company (as applicable) is not in a healthy financial position, the applicant may be required to submit information in addition to that listed above.

(b) Is the generation facility under construction or extensive rehabilitation?

- ☒ Yes, provide the projected capital cost \$57 Million

☐ No

(c) Has the applicant secured financing?

- ☒ Yes

☐ No

#### **14. Technical Resources**

Does the applicant employ technical resource staff or contractors with appropriate qualifications and experience in operating and maintaining generation facilities and any other technical matters associated with generation facilities?

- ☒ Yes, briefly describe the technical qualifications of the applicant's key technical and operational personnel

Christopher Cuthbert, TSSA 2nd Class Operating Engineer, Marine Engineer, Energy Manager

Each plant also employs a TSSA 2nd Class Chief Operating Engineer, and 3rd class Operating Engineers

- ☐ No, identify plans to acquire the necessary technical resources for technical matters related to generation facilities
- 
- 

#### **15. Legal and Regulatory Proceedings**

(a) Has the applicant or any of its directors and officers (if the applicant is a corporation), an affiliate of the applicant, or an associated entity ever been declared bankrupt, or is it presently the subject of a bankruptcy proceeding?

- ☐ Yes, provide a copy of the Assignment in Bankruptcy, a list of creditors, or proof of discharge

☒ No

(b) Does the applicant or any of its directors and officers (if the applicant is a corporation), an affiliate of the applicant, or an associated entity have any unpaid judgements against it?

- ☐ Yes, provide a copy of each judgement and state the amount outstanding and repayment arrangements

☒ No

- (c) Has the applicant or any of its directors and officers (if the applicant is a corporation), an affiliate of the applicant, or an associated entity been found guilty or convicted of a criminal offence under any law in the past 5 years or are any charges now pending?

☐ Yes, provide full particulars

☒ No

- (d) Has the applicant or any of its directors and officers (if the applicant is a corporation), an affiliate of the applicant, or an associated entity had a licence or registration of any kind refused, suspended, revoked or cancelled?

☐ Yes, provide full particulars

☒ No

- (e) Has the applicant or any of its directors and officers (if the applicant is a corporation), an affiliate of the applicant, or an associated entity been subject to penalties, fines, payments as a result of investigation or any other disciplinary actions by a regulatory body in Ontario or any other jurisdiction within North America in the past 5 years?

☐ Yes, provide full particulars

☒ No

- (f) If the applicant, an affiliate of the applicant, or an associated entity has been previously licenced by the OEB, are there any outstanding licensing fees, outstanding information requests, or compliance orders?

☒ Not Applicable - not a licensee

☐ Yes, provide full particulars

☐ No

## 16. Key Individual Information

Required for each key individual identified in section 7. Make a copy of section 16 for each key individual identified in section 7.

### Key Individual Information

Mr. <input checked="" type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>	Lazzarato	David	A
Other <input type="radio"/>	_____	Title/Position		
		Chair of the Board		
		Company Name		
		Hamilton Health Sciences		

### Personal Experience

(a) Does this person have experience in the energy sector?

☐ Yes, provide details

☒ No

(b) Has this person been a proprietor, partner, officer or director of an entity that was licensed by the OEB?

☐ Yes, provide licence number and name of licensee \_\_\_\_\_

☒ No

(c) Has this person been a proprietor, partner, officer or director of an entity that was registered or licensed in relation to any energy sector activities in Ontario or any other jurisdiction within North America?

☐ Yes, provide jurisdiction, name of business and business activity \_\_\_\_\_

☒ No

### Legal and Regulatory Proceedings

(a) Has this person ever been declared bankrupt or is presently the subject of a bankruptcy proceeding?

☐ Yes, provide a copy of the Assignment in Bankruptcy or proof of discharge

☒ No

**CONFIDENTIAL**

- (b) Has this person been a proprietor, partner, officer or director of an entity that has been declared bankrupt or is presently the subject of bankruptcy proceedings?

☒ Yes, provide full particulars

I was the CFO of AT&T Canada when in October of 2002 we voluntarily filed for CCAA in Canada. On April 1, 2003 the company emerged from CCAA and continued to operate as a public company in Canada under the name Allstream.

☐ No

- (c) Are there any unpaid judgements against this person?

☐ Yes, provide a copy of each judgement and state the amount outstanding and repayment arrangements

☒ No

- (d) Has this person been found guilty or convinced of a criminal offence under any law in the past 5 years or are any charges now pending?

☐ Yes, provide full particulars

☒ No

- (e) Has this person been a proprietor, partner, officer or director of an entity that had a registration or licence of any kind in Ontario or any other jurisdiction within North America refused, suspended, revoked or cancelled?

☐ Yes, provide name of business, jurisdiction, and describe the situation \_\_\_\_\_

☒ No

- (f) Has this person been a proprietor, partner, officer or director of an entity that had been subject to penalties, fines, voluntary payments, payments as a result of investigation or any other disciplinary actions by a regulatory body in Ontario or any other jurisdiction within North America in the past 5 years?

☐ Yes, provide name of business, jurisdiction, and describe the situation \_\_\_\_\_

☒ No

Signature of Key Individual

*Dave Lazarrato*

Date

6/29/2021

## 16. Key Individual Information

Required for each key individual identified in section 7. Make a copy of section 16 for each key individual identified in section 7.

### Key Individual Information

Mr. <input checked="" type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>	MacIsaac	Robert	S.
Other <input type="radio"/>		Title/Position		
		President & CEO		
		Company Name		
		Hamilton Health Sciences Corporation		

### Personal Experience

(a) Does this person have experience in the energy sector?

☒ Yes, provide details

Former Board member, Burlington Hydro  
Former Board Member, Horizon Utilities

☐ No

(b) Has this person been a proprietor, partner, officer or director of an entity that was licensed by the OEB?

☒ Yes, provide licence number and name of licensee \_\_\_\_\_  
Burlington Hydro – EB-2003-0004; Horizon Utilities – EB-2016-0360

☐ No

(c) Has this person been a proprietor, partner, officer or director of an entity that was registered or licensed in relation to any energy sector activities in Ontario or any other jurisdiction within North America?

☒ Yes, provide jurisdiction, name of business and business activity \_\_\_\_\_  
Both Horizon Utilities (now Alectra) and Burlington Hydro operate as electricity distributors in Ontario.

☐ No

### Legal and Regulatory Proceedings

(a) Has this person ever been declared bankrupt or is presently the subject of a bankruptcy proceeding?

☐ Yes, provide a copy of the Assignment in Bankruptcy or proof of discharge

☒ No



**CONFIDENTIAL**

(b) Has this person been a proprietor, partner, officer or director of an entity that has been declared bankrupt or is presently the subject of bankruptcy proceedings?

☐ Yes, provide full particulars

☒ No

(c) Are there any unpaid judgements against this person?

☐ Yes, provide a copy of each judgement and state the amount outstanding and repayment arrangements

☒ No

(d) Has this person been found guilty or convicted of a criminal offence under any law in the past 5 years or are any charges now pending?

☐ Yes, provide full particulars

☒ No

(e) Has this person been a proprietor, partner, officer or director of an entity that had a registration or licence of any kind in Ontario or any other jurisdiction within North America refused, suspended, revoked or cancelled?

☐ Yes, provide name of business, jurisdiction, and describe the situation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

☒ No

(f) Has this person been a proprietor, partner, officer or director of an entity that had been subject to penalties, fines, voluntary payments, payments as a result of investigation or any other disciplinary actions by a regulatory body in Ontario or any other jurisdiction within North America in the past 5 years?

☐ Yes, provide name of business, jurisdiction, and describe the situation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

☒ No

Signature of Key Individual

*Rob MacIsaac*

Date

6/30/2021

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## 17. Notice

The OEB is authorized, under section 4.14 of the OEB Act, to collect personal information for the purpose of carrying out its duties and exercising its powers under the OEB Act or any other Act.

The information provided both on this form and attached to this form is being collected by the OEB for the purpose of determining whether the applicant is qualified to receive the licence for which it is applying.

In order to verify the information on this form and/or determine whether the applicant is qualified to receive the licence for which it is applying, it may be necessary for the OEB to collect additional information from some or all of the following sources: federal, provincial/state, or municipal governments; licensing bodies; law enforcement agencies; credit bureaus; and banks. Only information relevant to the application or the OEB's determination of the application will be collected by the OEB.

The public official who can answer questions about the collection of the information is:


Board Secretary  
Ontario Energy Board  
P.O Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Tel: 416-481-1967 or 1-888-632-6273

Applicants are reminded that the OEB is subject to the *Freedom of Information and Protection of Privacy Act* (FIPPA). FIPPA addresses circumstances in which the OEB may, upon request, be required to release information that is in its custody or under its control, and generally prohibits the OEB from releasing personal information. "Personal Information" has the meaning given to it under FIPPA.

## 18. Certification and Acknowledgement

- (a) I certify that the information contained in this application and in the documents provided are true and accurate.
- (b) I understand and acknowledge that, as a licensee, I must provide information as the OEB may require from time to time.
- (c) I understand and acknowledge that the issuance of an electricity generation licence does not guarantee registration with the IESO or connection to a transmission or distribution system.

Print Name of Key Individual	Signature of Key Individual	Date
Rob MacIsaac		6/30/2021

**If the applicant is a sole proprietor, he/she must sign.**

**If the applicant is a corporation, a person with authority to bind the corporation must sign.**

**If the applicant is a partnership, a partner with authority to sign on behalf of the partnership must sign.**

### **Checklist (return with application form)**

- ☐ Two copies of the application form have been included with original signature on both copies
- ☐ A cheque or money order for the non-refundable application fee has been included
- ☐ A corporate organization chart has been attached to the application form
- ☐ Section 13 has been completed and all relevant financial information has been included
- ☐ Section 16 has been completed for all key individuals

Financial Statements of

**HAMILTON HEALTH SCIENCES  
CORPORATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton ON L8P 4W7  
Canada  
Tel (905) 523-8200  
Fax (905) 523-2222

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hamilton Health Sciences Corporation

### ***Opinion***

We have audited the financial statements of Hamilton Health Sciences Corporation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of 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, 2020, and its results of operations, changes in net assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
June 18, 2020

# HAMILTON HEALTH SCIENCES CORPORATION

Statement of Financial Position  
(In \$000's)

March 31, 2020, with comparative figures for 2019

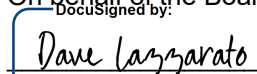
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 153,935	\$ 156,162
Restricted cash and cash equivalents (note 2)	57,967	54,663
Short-term investments (note 3)	20,212	17,381
Accounts receivable (note 4)	132,300	115,645
Inventories	19,062	16,000
Prepaid expenses and deposits	13,047	10,756
	396,523	370,607
Portfolio investments (note 5)	71,060	81,145
Other non-current assets	6,013	6,792
Capital assets, net (note 7)	845,486	840,096
	\$1,319,082	\$1,298,640

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 227,232	\$ 197,735
Deferred revenue	940	1,713
Current portion of obligations under capital leases (note 8)	1,457	2,736
Current portion of long-term debt (note 9)	3,688	5,337
	233,317	207,521
Obligations under capital leases (note 8)	2,183	3,620
Long-term debt (note 9)	258,007	261,494
Post-retirement benefits (note 10 (b))	65,076	63,246
Other long-term liabilities	5,357	4,923
Derivative liabilities (note 9)	7,243	6,438
Deferred capital contributions (note 11)	652,145	636,309
Deferred research contributions (note 12)	62,709	75,216
	1,286,037	1,258,767
Net assets (deficit):		
Unrestricted	(191,326)	(201,712)
Invested in capital assets (note 13 (a))	139,007	150,179
Board designated	91,131	90,585
	38,812	39,052
Accumulated remeasurement (losses) gains	(5,767)	821
Commitments and contingencies (notes 8, 16, 17(e))		
Subsequent event (note 20)		
	\$1,319,082	\$1,298,640

See accompanying notes to financial statements.

On behalf of the Board:

DocuSigned by:  
  
 Dave Lazzarato Director

DocuSigned by:  
  
 Charles Criminisi Director



# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Operations (In \$000's)

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Revenue:		
Local Health Integration Network ("LHIN")	\$1,205,129	\$1,151,552
Ontario Health Insurance Plan	41,618	39,559
Other ministries	46,675	51,378
Patient and third party payers	25,549	28,064
Investment income (note 6)	5,235	586
Amortization of deferred capital contributions (note 11)	40,779	38,719
Ancillary and other recoveries	99,534	101,835
Research (note 12)	139,477	150,036
	1,603,996	1,561,729
Expenses:		
Salaries and employee benefits	891,387	863,269
Medical staff remuneration	83,985	83,380
Medical and surgical supplies	75,378	72,496
Drugs	142,530	116,490
Facilities	22,560	26,156
Amortization of capital assets	62,487	62,634
Other expenses	186,716	183,928
Research (note 12)	122,267	136,558
	1,587,310	1,544,911
Excess of revenues over expenses before designated transfer of assets	16,686	16,818
Designated transfer of assets (note 17(c))	16,926	10,648
(Deficiency) excess of revenues over expenses	\$ (240)	\$ 6,170

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Changes in Net Assets (In \$000's)

Year ended March 31, 2020, with comparative figures for 2019

	Unrestricted	Invested in capital assets (note 13)	Board designated	Total 2020	Total 2019
Net assets (deficit) beginning of year	\$ (201,712)	\$ 150,179	\$ 90,585	\$ 39,052	\$ 32,882
(Deficiency) excess of revenues over expenses for the year	23,658	(23,898)	—	(240)	6,170
Transfer to Board designated	(636)	—	636	—	—
Transfer from Board designated	90	—	(90)	—	—
Net change in invested in capital assets (note 13(b))	(12,726)	12,726	—	—	—
Net assets (deficit) end of year	\$ (191,326)	\$ 139,007	\$ 91,131	\$ 38,812	\$ 39,052

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Remeasurement Gains and Losses (In \$000's)

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 821	\$ 799
Unrealized gains (losses) attributable to:		
Derivatives	(805)	98
Portfolio investments	(3,885)	2,968
Foreign exchange	1,857	491
	(2,833)	3,557
Unrealized (gains) losses reclassified to deferred contributions:		
Portfolio investments	335	1,345
Foreign exchange	(58)	(44)
	277	1,301
Realized (gains) losses reclassified to statement of operations:		
Portfolio investments	(4,142)	(4,960)
Foreign exchange	110	124
	(4,032)	(4,836)
Net remeasurement (losses) gains for the year	(6,588)	22
Accumulated remeasurement (losses) gains, end of year	\$ (5,767)	\$ 821

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Cash Flows (In \$000's)

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenues over expenses for the year	\$ (240)	\$ 6,170
Items not involving cash:		
Amortization of capital assets	66,215	66,352
Amortization of deferred capital contributions	(42,317)	(40,265)
Non-pension post-retirement benefits expense	6,518	4,972
Gain on disposal of deferred capital	(3,020)	(2,028)
Loss on disposal of capital assets	5,022	7,209
Net gain on portfolio investments	(1,898)	(3,044)
	30,280	39,366
Net change in non-cash working capital balances related to operations (note 14)	(3,707)	(10,973)
Increase (decrease) in other long-term liabilities	434	(2,460)
Non-pension post-retirement funding contributions	(4,688)	(3,703)
Net change in deferred research contributions	(12,507)	(13,501)
	9,812	8,729
Capital activities:		
Purchase of capital assets	(65,788)	(48,730)
Investing activities:		
Decrease in other non-current assets	779	1,802
Purchase of investments	(38,718)	(33,722)
Proceeds on sale of investments	42,087	39,551
Increase in restricted cash and cash equivalents (net)	(3,304)	(5,898)
	844	1,733
Financing activities:		
Contributions received for capital purposes	60,757	31,157
Proceeds received on long-term debt	—	212,804
Repayment of long-term debt (net)	(5,136)	(6,556)
Payment of obligations under capital leases	(2,716)	(3,973)
	52,905	233,432
Net (decrease) increase in cash and cash equivalents during the year	(2,227)	195,164
Cash and cash equivalents (bank indebtedness), beginning of year	156,162	(39,002)
Cash and cash equivalents, end of year	\$ 153,935	\$ 156,162
Supplemental information:		
Interest paid	\$ 6,427	\$ 3,447
Non-cash transactions:		
Purchase of capital assets included in accounts payable and accrued liabilities	15,649	5,226
Disposal of capital assets included in other long-term liabilities	—	(2,749)

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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Hamilton Health Sciences Corporation (the “Hospital”) is a family of five unique hospitals and five specialized facilities, serving more than 2.3 million residents of Hamilton, Central South and Central West Ontario. The Hospital is an academic health science organization incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada) and as such is exempt from income taxes.

### 1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”), including standards that apply to government not-for-profit organizations.

These financial statements include the assets, liabilities and activities of the Hospital. The financial statements do not include the activities of Hamilton Health Sciences Foundation (the “Foundation”), Hamilton Health Sciences Volunteer Association (the “Volunteer Association”), Hamilton Health Sciences Research Institute (“HHSRI”), West Lincoln Memorial Hospital Foundation (the “WLMH Foundation”) and West Lincoln Memorial Auxiliary (the “Auxiliary”), which are non-controlled not-for-profit entities (notes 17(a), (b), (c) and (d)), or the activities of Bay Area Health Trust (“BAHT”), which is a non-controlled for-profit entity (note 17(e)).

A summary of the significant accounting policies is as follows:

#### (a) Revenue recognition:

The Hospital operates under a Hospital Service Accountability Agreement (the “H-SAA”) with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the “LHIN”). The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance. Effective April 1, 2018, the Hospital entered into an amending agreement extending the H-SAA to March 31, 2020. Since year end, the Hospital entered into a further amending agreement extending the H-SAA to June 30, 2020.

If the Hospital does not meet certain performance standards or obligations, the LHIN has the right to adjust certain funding streams received by the Hospital. Given that the LHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management’s estimates of amounts earned during the year.

The Hospital follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (a) Revenue recognition (continued):

Capital contributions received for the purpose of acquiring amortizable capital assets are deferred and amortized on the same basis and over the same period as the related capital assets.

Grants for sponsored research and other externally restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred. In circumstances where all contractual obligations are satisfied, excess funding may be retained by the Hospital at the completion of a research project.

Investment income is recognized as revenue when earned except where contractually obligated to accrue interest to a deferred capital project or research study.

Revenue from other services is recognized when an arrangement is in place, services are provided or goods are sold and collection is reasonably assured.

#### (b) Inventories:

Inventories are valued at the lower of average cost and replacement value.

#### (c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value at the date of donation. Amortization is provided on a straight-line basis over the estimated useful life of the related capital asset. The amortization periods are as follows:

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	Estimated useful life
Building and building improvements	20 to 40 years
Equipment	5 to 20 years

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Building renovations and alterations that restore original operating conditions are expensed in the year incurred. Building improvements that reduce original operating costs or increase original capacity are capitalized as building improvements. Construction-in-progress is transferred to the appropriate asset category once the particular project is complete and amortization commences when the assets are ready for use.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (d) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, it is considered impaired. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

#### (e) Equipment under capital leases:

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the Hospital as lessee are capitalized at the present value of the minimum payments, excluding executor costs, under the lease with a corresponding liability for the related lease obligations. The discount rate used to determine the present value of the lease payment is the lower of the Hospital's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expenses are made for amortization on the equipment and interest on the lease obligations.

#### (f) Employee future benefit plans:

- Multi-employer plan:

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer average of the best five years' pay contributory pension plan, and employees are entitled to certain post-employment benefits. In accordance with PSAS, the plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit plan accounting.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (f) Employee future benefit plans (continued):

- Post-retirement benefit obligations:

The Hospital accrues its obligations under non-pension employee benefit plans as employees render services.

Certain employees of the Hospital are entitled to receive other post-employment benefits. The cost of these benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Hospital's long-term cost of borrowing consistent with the specific rates of interest and periods committed to by the Hospital on amounts borrowed. The Hospital estimated its long-term cost of borrowing by referencing the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on the cash flows expected from the post-retirement benefit obligations. Past service costs relating to plan amendments are expensed when incurred. Actuarial gains and losses are amortized over the remaining service periods of the employees. The average remaining service period of active employees is 14 years.

#### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity 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 portfolio investments that are unrestricted or Board designated are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Unrealized changes in fair value of portfolio investments related to externally restricted research are recorded in deferred research contributions.

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.



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (g) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

There are three levels of fair value measurement to classify and measure fair value:

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### (h) Board designated net assets:

Board designated net assets include unrestricted donations and bequests as well as certain fund surpluses designated for specific purposes by the Board of Directors.

#### (i) Contributed services and materials:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and as such is not reflected in these financial statements. Contributed materials by volunteers are also not recognized in these financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, carrying amount of capital assets and obligations related to post-retirement benefits. Actual results could differ from those estimates.

### 2. Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments. These items are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of three months or less, and include Canadian, US and Euro currencies.

A portion of the cash and cash equivalents are restricted for the following purposes:

	2020	2019
Internally and externally designated trusts and research operations	\$ 43,496	\$ 28,835
Construction facilities	13,663	4,644
Strategic Reserve Fund	756	21,122
Patient trust accounts	52	62
	<u>\$ 57,967</u>	<u>\$ 54,663</u>

Restricted cash and cash equivalents earn interest at an average rate of 0.73% (2019 – 2.06%).

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 3. Short-term investments:

Short-term investments consist of guaranteed investment certificates, deposit notes, government and corporate bonds, and other fixed term securities with remaining maturities of less than one year.

These investments are recorded at fair value of \$20,212 (2019 - \$17,381) as at March 31, 2020, with a cost of \$20,100 (2019 - \$17,260).

These investments are held for the following purposes:

	2020	2019
Internally and externally designated trusts and research operations \$	19,608	\$ 17,281
Strategic Reserve Fund	604	100
	\$ 20,212	\$ 17,381

These investments earn interest at an average rate of 3.34% (2019 – 3.63%).

### 4. Accounts receivable:

	2020	2019
LHIN	\$ 51,086	\$ 37,113
Ontario Health Insurance Plan	4,566	6,492
Patient	4,178	6,639
BAHT (note 17 (e))	638	816
Foundation, Volunteer Association, WLMH Foundation and Auxiliary (notes 17(a), (b), and (d))	6,069	5,282
Research	29,874	26,349
Other	35,889	32,954
	\$ 132,300	\$ 115,645

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 5. Portfolio investments:

	Cost	2020 Fair value	Cost	2019 Fair value
Fixed income:				
Canadian	\$ 16,752	\$ 18,334	\$ 32,497	\$ 34,149
International	9,111	9,673	7,810	7,984
Preferred shares:				
Canadian	1,170	926	2,337	2,331
Equities:				
Canadian	20,950	19,535	17,130	20,293
International	22,896	22,592	13,173	16,388
	\$ 70,879	\$ 71,060	\$ 72,947	\$ 81,145

Fixed income investments have a weighted average term of 5.03 years (2019 – 4.07 years) to maturity and have an average yield of 3.43% (2019 - 3.58%) as at March 31, 2020.

These investments are held for the following purposes:

	2020	2019
Internally and externally designated trusts and research operations	\$ 50,203	\$ 78,557
Strategic Reserve Fund	20,857	2,588
	\$ 71,060	\$ 81,145

### 6. Investment income:

Investment income is classified as follows on the statement of operations:

	2020	2019
Research	\$ 7,091	\$ 8,847
Investment income:		
Commitments and internally and externally designated trusts	22	33
Strategic Reserve Fund	448	31
Capital Acquisition Fund	4,271	620
Hospital operations	494	(98)
	5,235	586
	\$ 12,326	\$ 9,433

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 6. Investment income (continued):

Investment income is comprised of the following:

	2020	2019
Interest and dividend income	\$ 8,360	\$ 4,565
Net realized gains	4,142	4,960
Less: investments fees	(176)	(92)
	<u>\$ 12,326</u>	<u>\$ 9,433</u>

### 7. Capital assets:

Capital assets consist of the following:

March 31, 2020	Cost	Accumulated amortization	Net book value
Land	\$ 3,434	\$ —	\$ 3,434
Building and building improvements	1,019,609	312,072	707,537
Equipment	453,847	361,774	92,073
Construction-in-progress	42,442	—	42,442
	<u>\$ 1,519,332</u>	<u>\$ 673,846</u>	<u>\$ 845,486</u>

March 31, 2019	Cost	Accumulated amortization	Net book value
Land	\$ 3,408	\$ —	\$ 3,408
Building and building improvements	996,915	275,510	721,405
Equipment	430,141	334,854	95,287
Construction-in-progress	19,996	—	19,996
	<u>\$ 1,450,460</u>	<u>\$ 610,364</u>	<u>\$ 840,096</u>

Included in capital assets are assets under capital leases at a cost of \$14,713 (2019 - \$16,931) and accumulated amortization of \$7,361 (2019 - \$10,871).

Included in equipment are assets not yet being amortized at a cost of \$7,770 (2019 - \$14,489).

Capital assets with a cost of \$7,755 (2019 - \$68,964) were disposed of in fiscal 2020 at a net loss of \$2,002 (2019 - \$5,181) which is included in other expenses in the statement of operations.

During the year \$416 (2019 - \$106) of capital assets were donated to the Hospital.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 7. Capital assets (continued):

Construction-in-progress consists primarily of the Juravinski Stem Cell Transplant Expansion, West Lincoln Memorial Health and Safety Infrastructure Upgrade, Hamilton General Hybrid Operating Room projects and McMaster University Medical Centre ("McMaster") Inpatient Renovations to Wards 3C, 3Y and 3Z.

### 8. Lease commitments:

#### (a) Managed Equipment Service Agreement:

The Hospital entered into a 15-year Managed Equipment Services Agreement ("MESA") on December 20, 2019 with Siemens Healthcare Limited ("Siemens") to provide the Hospital, effective April 1, 2020, with comprehensive financing, maintenance, support, and procurement for a variety of diagnostic equipment in exchange for a blended annual service payment. The MESA is governed by various committees composed of representatives from the Hospital and Siemens.

As equipment is acquired under the MESA it is accounted for as a capital lease at the time of delivery. Under the MESA, a non-revolving cash facility is made available to the Hospital for the purpose of financing turnkey work required prior to the installation of equipment acquired under the MESA. The total amount available under the facility is \$48,000 and is to be drawn through 15 installments based on the expected installation dates of the associated equipment. As of March 31, 2020 \$nil was drawn. The facility bears interest at a rate of 4.10%.

Services such as procurement, maintenance, and support provided under the MESA are expensed as incurred in the statement of operations. Due to differences in the timing of activities and payments under the MESA, the Hospital may record a deferred liability or prepaid deposit asset on the statement of financial position.

Future commitments under the MESA will change over time to reflect the changing requirements of the Hospital. Future payments are based on a detailed schedule of services and equipment which is subject to review and revision on an annual basis and include an annual adjustment to reflect inflationary indexes. The extent of future payments are also impacted by variable elements associated with performance targets.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 8. Lease commitments (continued):

#### (a) Managed Equipment Service Agreement (continued):

Expected future payments under the MESA consist of the following:

	Capital lease	Turnkey financing	Operating commitments	Annual service payments
2021	\$ 1,763	\$ 3,317	\$ 4,248	\$ 14,493
2022	2,596	3,317	5,878	14,717
2023	3,219	3,317	6,134	14,945
2024	3,880	3,317	6,231	15,177
2025	4,821	3,317	6,856	15,414
Thereafter	103,258	33,168	76,184	200,075
	119,537	49,753	105,531	274,821
Less: amounts representing interest	(17,875)	(2,397)	—	(20,272)
	\$ 101,662	\$ 47,356	\$ 105,531	\$ 254,549

As at March 31, 2020, no amounts relating to the MESA have been recognized in the financial statements.

#### (b) Other lease commitments:

The Hospital has entered into various arrangements for the leasing of administrative office space, cloud-based services, and computer and medical equipment. The weighted average effective interest rate of the capital leases is 3.12% (2019 – 3.01%).

The future minimum annual payments consist of the following:

	Capital leases	Operating leases
2021	\$ 1,569	\$ 2,524
2022	1,515	1,847
2023	702	1,644
2024	—	1,644
2025	—	1,644
Thereafter	—	9,611
Total minimum lease payments	3,786	18,914
Less: amounts representing interest	146	
Obligations under capital leases	3,640	
Less: current portion	1,457	
	\$ 2,183	

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 9. Long-term debt:

	2020	2019
Capital loan payable by August 1, 2025 in monthly principal and interest instalments of \$58 at 4.65% per annum (a)	\$ 3,308	\$ 3,833
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$397 at 5.255% per annum (b)	11,646	12,587
Capital loan payable by September 17, 2029 in quarterly principal and interest instalments of \$150 at 4.33% per annum (c)	4,306	4,629
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$596 at 5.255% per annum (d)	17,206	18,597
Capital loan payable by October 15, 2019 in monthly principal and interest instalments of \$261 at 1.42% (e)	—	1,834
Capital loan payable by October 4, 2023 in monthly principal and interest instalments of \$31 at 3.00% (f)	1,224	1,547
Capital loan payable by March 23, 2023, interest-only for 5 years at BA rate of interest (g)	25,000	25,000
Series A senior unsecured debentures due January 17, 2059 with semi-annual interest payments of \$3,683 at 3.68% (h)	200,000	200,000
	262,690	268,027
Less: current portion	3,688	5,337
Less: financing fees	995	1,196
	\$ 258,007	\$ 261,494

- a) On July 15, 2005, the Hospital entered into a \$9,000, 20-year financing arrangement for the purpose of financing the construction, acquisition, and development costs of parking equipment and improvements of the parking facilities at the Hamilton General Hospital ("General") and Juravinski Hospital ("Juravinski") sites. On a monthly basis, the Hospital is required to deposit the net profit, as defined, from the parking operations of the General and Juravinski sites into a net profit account held at the bank. At all times, the Hospital must maintain a minimum balance in the net profit account equal to the greater of \$400 or the total of the next scheduled payment of principal and interest. At March 31, 2020, the balance in the net profit account is greater than the minimum required balance and is included in restricted cash and cash equivalents on the statement of financial position.

As security, the bank has a first ranking specific assignment of all rights, title, and interest in and to all net profit and any other revenue and income arising from the General and Juravinski parking improvements from time to time but expressly excluding payments for monthly parking permits of employees of the Hospital; and a first ranking security agreement in respect of the net profit account. Under the terms of the financing agreement, the Hospital is required to comply with certain loan covenants and at year-end the Hospital was in compliance with these covenants.



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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

The Hospital has in place an interest rate swap agreement ("Swap Agreement"), which will expire on August 1, 2025, that fixes the interest rate at 4.65%, plus stamping fees of 0.45%. The fair value of the Swap Agreement is based on amounts quoted by the Hospital's bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at March 31, 2020. The fair value of the Swap Agreement at March 31, 2020 is (\$354) (2019 - (\$346)).

- b) On September 26, 2007, the Hospital entered into a \$19,500, 20-year financing arrangement for the purpose of financing construction costs related to energy retrofit contracts at the Chedoke, Juravinski, and General sites. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2020 is (\$2,481) (2019 - (\$2,218)).
- c) On January 22, 2009, the Hospital entered into a \$6,900, 20-year financing arrangement for the purpose of financing the related construction costs for the central utility plant upgrade at the Juravinski site. The Hospital has a Swap Agreement in place that fixes the interest rate at 4.33%, plus stamping fees of 1.80%. The fair value of the Swap Agreement at March 31, 2020 is (\$748) (2019 - (\$602)).
- d) On September 26, 2007, the Hospital entered into an amended \$25,000 financing agreement for the purpose of financing construction costs related to energy retrofit contracts at the McMaster site. In fiscal 2011, an additional \$3,000 was drawn on the facility and the energy enhancement interim construction loan was then converted into a 20-year term loan. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2020 is (\$3,660) (2019 - (\$3,275)).
- e) On October 31, 2014, the Hospital entered into a \$15,000, five-year financing agreement for the purpose of financing capital acquisitions. The Hospital has a Swap Agreement in place that fixes the interest rate at 1.42%, plus stamping fee of 0.25%. The fair value of the Swap Agreement at March 31, 2020 is \$nil (2019 - \$3). This was fully repaid in the fiscal year ending March 31, 2020.
- f) On September 25, 2017 the Hospital entered into a \$2,043, six-year financing agreement for the purpose of financing capital acquisitions at McMaster, General, Juravinski and West Lincoln Memorial Hospital ("WLMH") sites.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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

- g) On March 23, 2018, the Hospital entered into an \$11,000, five-year interest only revolving capital loan for the purpose of financing capital acquisitions. On October 31, 2018 and again on January 22, 2019 an additional \$7,000 was drawn on the facility. As of March 31, 2020, the \$25,000 facility has been fully drawn, however \$4,114 (2019 - \$9,018) has not yet been spent. The loan consists of monthly renewals through 30-day Banker's Acceptances with a current rate of interest of 1.66%. Prior to the end of the five-year period, the Hospital and the Lender may choose to arrange for a mutually agreeable repayment schedule. However, until such time in which refinancing takes place, the loan is considered due on demand at the end of the five-year commitment period.
- h) On January 17, 2019, the Hospital issued a \$200,000 Series A senior unsecured debenture at par value for the purpose of financing capital investments. Total financing costs of \$1,196 were paid out of proceeds on issuance. The debenture bears interest at 3.68%, payable semi-annually on July 17 and January 17, with the principal to be repaid in full on January 17, 2059. As at March 31, 2020, \$23,800 of proceeds from the debenture have been invested with external investments managers as a Board designated Strategic Reserve Fund. As at March 31, 2020, \$7,076 (2019 - \$nil) of the debenture proceeds have been spent.

The future minimum annual debt principal repayments over the next five years and thereafter are as follows:

2021	\$	3,688
2022		3,887
2023		29,101
2024		4,131
2025		4,163
Thereafter		217,720
	\$	262,690

### 10. Employee future benefit plans:

#### (a) Multi-employer plan:

The Hospital's contributions to HOOPP during the year amounted to \$59,218 (2019 - \$57,305) and are included in salaries and employee benefits expense. The most recent actuarial valuation of HOOPP as at December 31, 2019 indicates the plan has a 19% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 10. Employee future benefit plans (continued):

#### (b) Post-retirement benefits:

The Hospital's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from the Hospital and are between the ages of 55 and 65. The post-retirement benefit obligations are calculated based on the latest actuarial valuation performed on March 31, 2019, extrapolated to March 31, 2020.

The sick leave benefit plan for employees was previously amended such that the future accumulation of sick leave credits was discontinued; however, employees are entitled to cash payments on a portion of their accumulated sick bank entitlements on termination of employment. As at March 31, 2020, the sick leave obligation amounted to \$2,741 (2019 - \$3,099).

The post-retirement benefits as at March 31 includes the following components:

	2020	2019
Accrued benefit obligation	\$ 76,211	\$ 77,299
Unamortized actuarial losses	(11,135)	(14,053)
Post-retirement benefit liability	\$ 65,076	\$ 63,246
	2020	2019
Post-retirement benefit liability, beginning of year	\$ 63,246	\$ 61,977
Current service cost	3,227	2,741
Interest cost	2,267	2,077
Amortization of actuarial losses	1,024	154
	69,764	66,949
Non-pension post-retirement funding contributions	(4,688)	(3,703)
Post-retirement benefit liability, end of year	\$ 65,076	\$ 63,246

The significant actuarial assumptions utilized in measuring the Hospital's accrued benefit obligations for the non-pension post-retirement benefit plans are as follows:

	2020	2019
Discount rate	3.10%	2.90%
Expected annual increase in dental care costs*	3.00%	3.00%
Expected annual increase in health care costs*	5.25%	5.25%

\*These rates are determined based on the McMaster Model of Long-Term Care Cost Trends in Canada, and are expected to converge to an ultimate rate of 3.57% in 2040.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 11. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 636,309	\$ 647,445
Add contributions for capital purposes:		
Ministry of Health & Long-Term Care ("MOHLTC") & LHIN	35,829	11,319
Foundations and Volunteer Association	16,807	11,979
Other	8,537	7,859
	697,482	678,602
Less: Amortization	42,317	40,265
Disposals of related capital assets	3,020	2,028
Balance, end of year	\$ 652,145	\$ 636,309

Included in the above balance are contributions of \$14,958 (2019 - \$11,757) received but not yet utilized to purchase capital assets. Amortization is comprised of \$40,779 (2019 - \$38,719) from hospital operations and \$1,538 (2019 - \$1,546) from research operations. Included in the above additions are \$416 (2019 - \$106) of capital assets that were donated to the Hospital.

### 12. Deferred research contributions:

Deferred research contributions represent unspent externally restricted grants for research. The changes in the deferred research contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 75,216	\$ 88,717
Externally restricted contributions received	68,295	87,375
Less: amount recognized as revenue during the year	(80,525)	(99,575)
Net change in fair value on invested unspent deferred research balances	(277)	(1,301)
Balance, end of year	\$ 62,709	\$ 75,216

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 12. Deferred research contributions (continued):

Research revenues and expenses are calculated as follows:

	2020	2019
Research revenues:		
Investment income	\$ 7,091	\$ 8,847
Amortization of deferred capital contributions	1,538	1,546
Research and other revenues	130,848	139,643
	<b>\$ 139,477</b>	<b>\$ 150,036</b>
Research expenses:		
Salaries and employee benefits	\$ 48,913	\$ 46,345
Medical staff remuneration	2,171	2,986
Medical and surgical supplies	68	16
Drugs	2,215	1,702
Facilities	2,280	556
Amortization of capital assets	3,728	3,718
Other research expenses	62,892	81,235
	<b>\$ 122,267</b>	<b>\$ 136,558</b>

Other research revenues of \$130,848 (2019 - \$139,643) consist of externally restricted research grants and donations recognized in income during the year of \$80,525 (2019 - \$99,575) and \$50,323 (2019 - \$40,068) from research administered accounts, internally restricted by the Hospital's Board of Directors.

### 13. Net assets invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2020	2019
Capital assets – net	\$ 845,486	\$ 840,096
Less amounts funded by:		
Deferred capital contributions spent (note 11)	(637,187)	(624,552)
Obligations under capital leases (note 8(b))	(3,640)	(6,356)
Long-term debt spent (note 9)	(65,652)	(59,009)
	<b>\$ 139,007</b>	<b>\$ 150,179</b>

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 13. Net assets invested in capital assets (continued):

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

	2020	2019
Amortization of capital assets	\$ (66,215)	\$ (66,352)
Amortization of deferred capital contributions	42,317	40,265
	(23,898)	(26,087)
Purchase of capital assets - net	71,605	38,564
Amounts funded by deferred capital contributions, net	(54,952)	(25,020)
Decrease in obligations under capital leases	2,716	3,973
Amounts funded by long-term debt	(6,643)	1,574
	12,726	19,091
	\$ (11,172)	\$ (6,996)

### 14. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2020	2019
Accounts receivable	\$ (16,655)	\$ (17,461)
Inventories	(3,062)	(1,181)
Prepaid expenses and deposits	(2,291)	(1,685)
Accounts payable and accrued liabilities	19,074	9,224
Deferred revenue	(773)	130
	\$ (3,707)	\$ (10,973)

### 15. Operating line of credit:

As at March 31, 2020, the Hospital has available a \$75,000 (2019 - \$75,000) unsecured demand operating line of credit, of which \$nil (2019 - \$nil) was drawn. This primary facility bears interest at the prime rate less 0.80%.

As at March 31, 2020, the Hospital has available a \$40,000 (2019 - \$nil) unsecured demand operating line of credit, of which \$nil (2019 - \$nil) was drawn. This secondary facility bears interest at the prime rate less 0.75%.

As at March 31, 2020, the prime interest rate is 2.45% (2019 – 3.95%) and the Hospital is compliant with its lending covenants.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 16. Commitments and contingencies:

- a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims as at March 31, 2020, it is management's position that the Hospital has valid defenses and appropriate insurance coverage in place, such that there would be no material effect on the financial statements as a result of these claims. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
- b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. All members of the pool pay premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No losses have been assessed as at March 31, 2020.
- c) The Hospital is currently in the planning stages of the multi-phased Our Healthy Future ("OHF") initiative. The LHIN has endorsed the Hospital's vision for its programs and services over the next 20 years as outlined in the OHF initiative. This long-range vision is the first in a multi-step capital planning process to renew the hospital facilities and model of care.

During fiscal 2020, the LHIN approved a one-time capital planning grant of up to \$1,765 for the development of a Stage Two Functional Program related to the redevelopment of the WLMH site.

While the endorsement from the LHIN is an important milestone in the planning process to evolve the Hospital's model of care and facilities, it does not mean that the proposed redevelopment projects have been approved.

- d) The Hospital has committed to an infrastructure upgrade project at the WLMH site. Costs are projected to be \$11,879 (2019 - \$9,315) with a maximum grant of \$10,495 (2019 - \$8,479). The project is currently in progress, with expected completion in January 2021.
- e) The Hospital has committed to the Stem Cell Transplant Expansion Project at the Juravinski site. Costs are projected to be \$28,560 with a maximum grant of \$25,166. The project is currently in progress, with expected completion in July 2021.
- f) The total capital expenditure commitments for the projects described in (c), (d) and (e) above and other minor projects outstanding as at March 31, 2020 are estimated to be \$40,495 (2019 - \$36,759).
- g) As at March 31, 2020, the Hospital has outstanding letters of credit of \$3,440 (2019 - \$3,440) related to various construction and renovation projects.
- h) The Hospital is in the process of developing pay equity plans with certain employee groups. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in the financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 17. Related party transactions:

- a) The Foundation is an independent organization that raises funds and holds resources solely for the benefit of the Hospital. The Foundation is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act. The Hospital is considered to be affiliated with the Foundation due to common directors on the boards. All amounts received from the Foundation are restricted in use by the Foundation and accordingly are accounted for by the Hospital as externally restricted contributions. The Foundation contributed \$14,674 during fiscal 2020 (2019 - \$9,981) for capital and \$1,561 (2019 - \$1,303) for research. Included in the Hospital's assets as at March 31, 2020 is \$4,218 (2019 - \$2,703) in accounts receivable from the Foundation.
- b) The Volunteer Association is an independent organization that raises funds and holds resources for the benefit of the Hospital. In November 2011, the Hospital entered into a ten-year lease agreement with the Volunteer Association to manage the Hospital's parking operations. The Volunteer Association pays rent in-kind to the Hospital as an annual irrevocable gift, which is restricted for capital projects. All amounts received from the Volunteer Association are restricted and accordingly are accounted for as externally restricted contributions. The Volunteer Association contributed \$13,452 (2019 - \$12,959) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2020 is \$1,620 (2019 - \$2,530) in accounts receivable from the Volunteer Association.
- c) HHSRI solicits, receives, manages, and distributes funds in respect of the advancement of health science research and education and the improvement of patient care in support of legislated and strategic priorities of the Hospital. HHSRI is a corporation without share capital under the laws of Canada and is a registered charity under the Income Tax Act. The Hospital is considered to be affiliated with and has significant influence over HHSRI as the Chief Executive Officer ("CEO") of the Hospital is also the CEO and a board member of HHSRI. The Hospital provides executive management, finance, and administrative services to HHSRI under a Management Services Agreement. During fiscal 2020, HHSRI paid the Hospital \$386 (2019 - \$381) for services under the Management Services Agreement and HHSRI contributed \$12,769 (2019 - \$14,187) to the Hospital for research. Included in the Hospital's assets at March 31, 2020 is \$3,926 (2019 - \$5,264) in accounts receivable from HHSRI. During fiscal 2020, the Hospital authorized a designated gift of \$16,926 to HHSRI (2019 - \$10,648). As of March 31, 2020 the balance was recorded in accounts payable and accrued liabilities.
- d) The WLMH Foundation and the Auxiliary are both independent organizations. The WLMH Foundation receives and maintains funds for charitable purposes which it donates to the Hospital for the use of operations, renovations, maintenance, and equipment. The Auxiliary raises money to assist the Hospital in the acquisition of medical equipment and to assist the programs. The WLMH Foundation contributed \$356 (2019 - \$57) during the year for capital and non-capital expenses. The Auxiliary contributed \$71 (2019 - \$140) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2020 is \$230 (2019 - \$49) in accounts receivable from the WLMH Foundation and \$1 (2019 - \$nil) from the Auxiliary.



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 17. Related party transactions (continued):

- e) BAHT is a for-profit commercial entity dedicated to developing business opportunities harnessing private sector experience, energy, and entrepreneurship to benefit the community by supporting profitable business development in the health-care sector. The beneficiaries of BAHT are the Hospital, the Foundation, and McMaster University. Transactions with BAHT are considered to be in the normal course of operations and are recorded at the exchange amount.

Included in the Hospital's assets as at March 31, 2020 is \$638 (2019 - \$816) in accounts receivable of which \$631 (2019 - \$808) is interest bearing at a rate of prime less 0.20%. Included in the Hospital's accounts payable is \$243 (2019 - \$274). In the current year, the Hospital earned investment income of \$23 (2019 - \$26), received a beneficiary distribution of \$nil (2019 - \$250), and paid \$12,225 (2019 - \$9,522) of non-salary expenses to BAHT. The Hospital has guaranteed a portion of BAHT's financing and as at December 31, 2019, \$40,905 (December 31, 2018 - \$42,753) was outstanding.

The Hospital has an operating lease agreement with BAHT, which includes the management of three cogeneration facilities, each located at Hospital sites. The agreement states the Hospital is responsible for all variable costs required to operate and maintain the equipment of each facility.

### 18. Financial instruments and risk management:

- (a) Financial instruments:

The Hospital's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, short-term investments, portfolio investments, accounts receivable, accounts payable and accrued liabilities, long-term debt, obligations under capital leases, and derivative liabilities.

- (b) Fair value measurement:

The following table illustrates the classification of the Hospital's financial instruments, including derivative financial instruments, measured at fair value on a recurring basis within the fair value hierarchy:

2020		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	153,935	\$ -	\$ -	\$ 153,935
Restricted cash and cash equivalents		57,967	-	-	57,967
Short-term investments		20,212	-	-	20,212
Portfolio investments		71,060	-	-	71,060
Derivative liabilities		-	(7,243)	-	(7,243)
	\$	303,174	\$ (7,243)	\$ -	\$ 295,931

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 18. Financial instruments and risk management (continued):

#### (b) Fair value measurement (continued):

2019		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	\$	156,162	\$	-	\$	-	\$	156,162
Restricted cash and cash equivalents		54,663		-		-		54,663
Short-term investments		17,381		-		-		17,381
Portfolio investments		81,145		-		-		81,145
Derivative liabilities		-		(6,438)		-		(6,438)
	\$	309,351	\$	(6,438)	\$	-	\$	302,913

#### (c) Risk management:

The Hospital is exposed to a variety of financial risks, including market risk, credit risk, and liquidity risk. The Hospital's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance. The Hospital is exposed to market risk with regards to its short-term investments, portfolio investments, and floating rate debt, which are regularly monitored.

##### (i) Market risk:

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Hospital is exposed are interest rate, currency, and other price risks.

##### (a) Interest rate risk:

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument fluctuates because of changes in market interest rates. The Hospital is exposed to interest rate risk on its investments and long-term debt. Of these risks, the Hospital's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and excess interest cost. The Hospital has effectively fixed its interest rate on the majority of its floating rate long-term debt by entering into various interest rate swaps.

The Hospital currently employs interest rate swaps to convert its variable interest rate on \$36,466 of its floating rate loan facilities to a fixed interest rate (note 9). Interest rate swaps are employed in order to reduce variability in future interest cash flows. The swaps are measured at fair value until the swap is settled and the change in fair value is recorded in the statement of remeasurement gains and losses.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 18. Financial instruments and risk management (continued):

#### (c) Risk management (continued):

##### (i) Market risk (continued):

##### (b) Currency risk:

Currency risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Hospital's future cash flows or the fair value of its financial instruments. The Hospital's exposure to foreign currency exchange risk is on the cash and cash equivalents, restricted cash and cash equivalents, short-term investments, portfolio investments and other non-current assets which includes cash, securities and notes receivable denominated in US dollars and euros. As at March 31, 2020, the total amount of cash, securities and other non-current assets denominated in a foreign currency was \$38,013 (2019 - \$31,228).

The Hospital's estimate of the effect on net assets as at March 31, 2020 due to a 1.0% increase or decrease in the exchange rates, with all other variables held constant, would approximately amount to an increase or decrease of \$380 (2019 - \$312).

##### (c) Other price risk:

Other price risk refers to the risk the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from risks noted above). The Hospital is exposed to other price risk through its portfolio investments.

As at March 31, 2020, the Hospital's total exposure to other price risk is \$71,060 (2019 - \$81,145). The Hospital's estimate on the effect of net assets as at March 31, 2020 due to a 1.0% increase or decrease in the fair value of long-term investments, with all other variables held constant, would approximately amount to an increase or decrease of \$711 (2019 - \$811). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 18. Financial instruments and risk management (continued):

(c) Risk management (continued):

(i) Market risk (continued):

(d) Sensitivity analysis:

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

(ii) Credit risk:

The Hospital is exposed to credit risk in the event of non-payment by patients for uninsured services and services provided to non-resident patients. The risk is common to hospitals as they may be required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2020, the following accounts receivable were past due but not impaired:

		30 days		60 days		90 days		Over 120 days
Accounts receivable	\$	15,530	\$	5,443	\$	5,095	\$	11,465

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The Hospital is also exposed to credit risk through its portfolio investments in high quality bonds and equity securities and loans receivable. Management considers the credit risk to be low as the Hospital only places its investments with reputable and financially stable organizations and the portfolio is monitored by the Investment Committee.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 18. Financial instruments and risk management (continued):

#### (c) Risk management (continued):

##### (iii) Liquidity risk:

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with financial liabilities as they come due. The Hospital monitors its operations and cash flows to ensure the current and future obligations will be met. In order to satisfy its known short and long-term cash obligations, the Hospital entered into an agreement for working capital relief funding from the LHIN to receive a maximum of \$80,000 in new funding over a 10-year period ending March 31, 2027. This funding will be used to assist the Hospital to address its adjusted working funds deficit. The terms and conditions require the Hospital to first use the funding to permanently reduce the annual cash advance. Without access to these additional funding arrangements, the Hospital would need to maintain its cash advance from the LHIN in order to continue to meet its obligations.

The table below is a maturity analysis of the Hospital's financial liabilities:

	Up to 6 months	More than 6 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 227,232	\$ -	\$ -	\$ -	\$ 227,232
Obligations under capital leases	740	717	2,183	-	3,640
Long-term debt	1,824	1,864	41,282	216,725	261,695
Other long-term liabilities	-	622	1,871	2,864	5,357
Derivative liabilities	-	-	-	7,243	7,243
	\$ 229,796	\$ 3,203	\$ 45,336	\$ 226,832	\$ 505,167

### 19. Funding agreements:

The Hospital entered into funding agreements with various parties which require the disclosure of the revenues and expenditures for the respective program as follows:

#### a) Clinical Education Program:

During the year, the Clinical Education Program incurred expenses of \$81,248 (2019 - \$79,184) and received \$82,158 (2019 - \$80,180) from the MOHLTC. As applicable, the surplus in funding is owed to the MOHLTC, and, as such, a payable of \$910 (2019 - \$996) has been included in accounts payable and accrued liabilities.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 19. Funding agreements (continued):

#### b) Diabetes Education Program:

During the year, the Diabetes Education Program incurred expenses of \$1,006 (2019 - \$951) and received \$874 (2019 - \$874) from the LHIN.

	2020	2019
Revenue	\$ 874	\$ 874
Expenses:		
Salaries and benefits	991	938
General operating expenditures	15	13
Total expenses	\$ 1,006	\$ 951

#### c) Emergency Department Physician Program:

During the year, the Emergency Department Physician Program at the WLMH site incurred expenses of \$1,964 (2019 - \$1,890) and received \$1,964 (2019 - \$1,890) in funding.

	2020	2019
Revenues:		
MOHLTC	\$ 1,434	\$ 1,358
APP premium payments	500	484
Medical trainee programs	2	4
OHIP and 3 <sup>rd</sup> party	28	44
	\$ 1,964	\$ 1,890

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

### 19. Funding agreements (continued):

#### c) Emergency Department Physician Program (continued):

	2020	2019
Expenses:		
Physician:		
Participating physicians' services	\$ 1,394	\$ 1,326
APP premium payments	500	484
Non-participating physicians' services	36	35
Mentorship program	-	11
	1,930	1,856
Administration:		
Medical director	6	6
Billing administration	28	28
	34	34
	\$ 1,964	\$ 1,890

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

- The closure of certain facilities to the general public, with temporary screening and assessment areas established in other facilities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and support the containment of the virus within the Hospital; and
- The implementation of remote work arrangements for certain hospital employees.

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

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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### 20. Coronavirus COVID-19 pandemic (continued):

#### a) Subsequent events:

The Ministry has committed to providing funding to Ontario hospitals to support eligible, incremental expenses related to the COVID-19 response. An estimate of the financial effect of this funding is not practicable at the date of the approval of these financial statements.

#### b) Impact of COVID-19 on financial risks:

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

##### (i) Market risk:

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

##### (a) Interest rate risk:

The Hospital's interest rate risk on its debt and swap instruments has increased due to significant and sudden decreases in interest rates, resulting in an increase in the unrealized loss on the interest rate swap agreements. The Hospital has no plans to exit the swap agreements prior to the end of the term.

##### (b) 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.

##### (c) 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 adjust investment strategies as required to reduce the risk on the Hospital's operations and financial position.



# HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2020

(All amounts are expressed in thousands of dollars)

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## 20. Coronavirus COVID-19 pandemic (continued):

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

#### (ii) Liquidity risk:

The ability of the Hospital to meet cash flow requirements in the short term has been impacted by several factors including loss of revenue due to reduced services and significant unplanned purchases of capital and supplies. The Hospital is continuously monitoring cash flow in order to maintain its liquidity moving forward.

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.

## 21. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

Financial Statements of

**HAMILTON HEALTH SCIENCES  
CORPORATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton ON L8P 4W7  
Canada  
Tel (905) 523-8200  
Fax (905) 523-2222

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hamilton Health Sciences Corporation

### ***Opinion***

We have audited the financial statements of Hamilton Health Sciences Corporation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- 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, 2021, and its results of operations, changes in net assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 17, 2021

# HAMILTON HEALTH SCIENCES CORPORATION

Statement of Financial Position  
(In \$000's)

March 31, 2021, with comparative figures for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 119,198	\$ 153,935
Restricted cash and cash equivalents (note 2)	70,343	57,967
Short-term investments (note 3)	3,216	20,212
Accounts receivable (note 4)	203,969	132,300
Inventories	24,646	19,062
Prepaid expenses and deposits	9,895	13,047
	431,267	396,523
Portfolio investments (note 5)	79,323	71,060
Other non-current assets	12,946	6,013
Capital assets, net (note 7)	921,316	845,486
	\$1,444,852	\$1,319,082
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 279,221	\$ 227,232
Deferred revenue	2,127	940
Current portion of obligations under capital leases (note 8, 9)	10,219	1,457
Current portion of long-term debt (note 10)	3,887	3,688
	295,454	233,317
Obligations under capital leases (note 8, 9)	32,567	2,183
Long-term debt (note 10)	250,872	258,007
Post-retirement benefits [note 11 (b)]	66,749	65,076
Other long-term liabilities	5,562	5,357
Derivative liabilities (note 10)	5,774	7,243
Deferred capital contributions (note 12)	677,264	652,145
Deferred research contributions (note 13)	67,345	62,709
	1,401,587	1,286,037
Net assets (deficit):		
Unrestricted	(179,737)	(191,326)
Invested in capital assets [note 14 (a)]	132,061	139,007
Board designated	89,712	91,131
	42,036	38,812
Accumulated remeasurement gains (losses)	1,229	(5,767)
Commitments and contingencies [notes 8, 9, 16, 17(e)]		
	\$1,444,852	\$1,319,082

See accompanying notes to financial statements.

On behalf of the Board:



David Gazarato (Jun 18, 2021 15:51 EDT)

Director



Charles Criminisi (Jun 18, 2021 16:43 EDT)

Director

# HAMILTON HEALTH SCIENCES CORPORATION

Statement of Operations  
(In \$000's)

Year ended March 31, 2021, with comparative figures for 2020

	2021	2020
Revenue:		
Local Health Integration Network ("LHIN")	\$1,321,502	\$1,205,129
Ontario Health Insurance Plan	34,971	41,618
Other ministries	46,662	46,675
Patient and third-party payers	24,878	25,549
Investment income (note 6)	2,692	5,235
Amortization of deferred capital contributions (note 12)	39,057	40,779
Ancillary and other recoveries	77,838	99,534
Research (note 13)	96,392	139,477
	1,643,992	1,603,996
Expenses:		
Salaries and employee benefits	918,762	891,387
Medical staff remuneration	88,435	83,985
Medical and surgical supplies	73,873	75,378
Drugs	160,124	142,530
Facilities	22,699	22,560
Amortization of capital assets	59,989	62,487
Other expenses	218,753	186,716
Research (note 13)	95,505	122,267
	1,638,140	1,587,310
Excess of revenue over expenses before designated transfer of assets	5,852	16,686
Designated transfer of assets [note 18(c)]	2,628	16,926
Excess (deficiency) of revenues over expenses	\$ 3,224	\$ (240)

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Changes in Net Assets (In \$000's)

Year ended March 31, 2021, with comparative figures for 2020

	Unrestricted	Invested in capital assets (note 14)	Board designated	Total 2021	Total 2020
Net assets (deficit), beginning of year	\$ (191,326)	\$ 139,007	\$ 91,131	\$ 38,812	\$ 39,052
Excess (deficiency) of revenue over expenses for the year	26,148	(22,924)	-	3,224	(240)
Transfers from Board designated	1,419	-	(1,419)	-	-
Net change in invested in capital assets [note 14(b)]	(15,978)	15,978	-	-	-
Net assets (deficit), end of year	\$ (179,737)	\$ 132,061	\$ 89,712	\$ 42,036	\$ 38,812

See accompanying notes to financial statements.



# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Remeasurement Gains and Losses (In \$000's)

Year ended March 31, 2021, with comparative figures for 2020

	2021	2020
Accumulated remeasurement (losses) gains, beginning of year	\$ (5,767)	\$ 821
Unrealized gains (losses) attributable to:		
Derivatives	1,469	(805)
Portfolio investments	12,441	(3,885)
Foreign exchange	(3,950)	1,857
	9,960	(2,833)
Unrealized losses (gains) reclassified to deferred contributions:		
Portfolio investments	504	335
Foreign exchange	122	(58)
	626	277
Realized (gains) losses reclassified to statement of operations:		
Portfolio investments	(3,577)	(4,142)
Foreign exchange	(13)	110
	(3,590)	(4,032)
Net remeasurement gains (losses) for the year	6,996	(6,588)
Accumulated remeasurement gains (losses), end of year	\$ 1,229	\$ (5,767)

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Statement of Cash Flows (In \$000's)

Year ended March 31, 2021, with comparative figures for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses for the year	\$ 3,224	\$ (240)
Items not involving cash:		
Amortization of capital assets	63,445	66,215
Amortization of deferred capital contributions	(40,521)	(42,317)
Non-pension post-retirement benefits expense	6,490	6,518
Gain on disposal of deferred capital	(6,253)	(3,020)
Loss on disposal of capital assets	9,933	5,022
Net gain on portfolio investments	(3,336)	(1,898)
	32,982	30,280
Net change in non-cash working capital balances related to operations (note 15)	(26,836)	(3,707)
Increase in other long-term liabilities	205	434
Non-pension post-retirement funding contributions	(4,817)	(4,688)
Net change in deferred research contributions	4,636	(12,507)
	6,170	9,812
Capital activities:		
Purchase of capital assets	(96,094)	(65,788)
Investing activities:		
(Increase) decrease in other non-current assets	(6,933)	779
Purchase of investments	(25,976)	(38,718)
Proceeds on sale of investments	43,571	42,087
Increase in restricted cash and cash equivalents (net)	(12,376)	(3,304)
	(1,714)	844
Financing activities:		
Contributions received for capital purposes	70,650	60,757
Repayment of long-term debt (net)	(6,936)	(5,136)
Payment of obligations under capital leases	(6,813)	(2,716)
	56,901	52,905
Net decrease in cash and cash equivalents during the year	(34,737)	(2,227)
Cash and cash equivalents, beginning of year	153,935	156,162
Cash and cash equivalents, end of year	\$ 119,198	\$ 153,935
Supplemental information:		
Interest paid	\$ 8,137	\$ 6,427
Non-cash transactions:		
Purchase of capital assets included in accounts payable and accrued liabilities	21,560	15,649
Purchase of capital assets through lease obligations	45,959	-

See accompanying notes to financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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Hamilton Health Sciences Corporation (the “Hospital”) is a family of five unique hospitals and five specialized facilities, serving more than 2.3 million residents of Hamilton, Central South and Central West Ontario. The Hospital is an academic health science organization incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada) and as such is exempt from income taxes.

### 1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”), including standards that apply to government not-for-profit organizations.

These financial statements include the assets, liabilities and operations of the Hospital. The financial statements do not include the assets, liabilities or operations of Hamilton Health Sciences Foundation (the “Foundation”), Hamilton Health Sciences Volunteer Association (the “Volunteer Association”), Hamilton Health Sciences Research Institute (“HHSRI”), West Lincoln Memorial Hospital Foundation (the “WLMH Foundation”) and West Lincoln Memorial Auxiliary (the “Auxiliary”), which are non-controlled not-for-profit entities [notes 18(a), (b), (c) and (d) respectively], or the activities of Bay Area Health Trust (“BAHT”), which is a non-controlled for-profit entity [note 18(e)].

A summary of the significant accounting policies is as follows:

#### (a) Revenue recognition:

The Hospital operates under a Hospital Service Accountability Agreement (the “H-SAA”) with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the “LHIN”). The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance. Effective June 30, 2020, the Hospital entered into an amending agreement extending the H-SAA to March 31, 2021. Since year end, the Hospital entered into a further amending agreement extending the H-SAA to March 31, 2022.

If the Hospital does not meet certain performance standards or obligations, the LHIN has the right to adjust certain funding streams received by the Hospital. Given that the LHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management’s estimates of amounts earned during the year. As detailed further in note 21, additional funding has been provided to hospitals in the current year to address the impacts of the COVID-19 pandemic. The new funding, eligibility requirements and related guidance involve considerable judgment resulting in added complexity in the current year in determining management’s estimates.

On March 17, 2021, the Minister of Health issued a series of orders transferring the LHIN’s health system planning and funding functions to Ontario Health. These transfers were effective April 1, 2021 and should be considered where references to the LHIN are made throughout these financial statements. This health system change was anticipated following the ratification of the Connecting Care Act, 2019, and management does not expect any subsequent impact on operations or the financial position of the Hospital.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (a) Revenue recognition (continued):

The Hospital follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Capital contributions received for the purpose of acquiring amortizable capital assets are deferred and amortized on the same basis and over the same period as the related capital assets.

Grants for sponsored research and other externally restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred. In circumstances where all contractual obligations are satisfied, excess funding may be retained by the Hospital at the completion of a research project.

Investment income is recognized as revenue when earned except where contractually obligated to accrue interest to a deferred capital project or research study.

Revenue from other services is recognized when an arrangement is in place, services are provided or goods are sold and collection is reasonably assured.

#### (b) Inventories:

Inventories are valued at the lower of average cost and replacement value.

#### (c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value at the date of donation. Amortization is provided on a straight-line basis over the estimated useful life of the related capital asset. The amortization periods are as follows:

	Estimated useful life
Building and building improvements	20 to 40 years
Equipment	5 to 20 years

Building renovations and alterations that restore original operating conditions are expensed in the year incurred. Building improvements that reduce original operating costs or increase original capacity are capitalized as building improvements. Construction-in-progress is transferred to the appropriate asset category once the particular project is complete and amortization commences when the assets are ready for use.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (d) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, it is considered impaired. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

#### (e) Equipment under capital leases:

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the Hospital as lessee are capitalized at the present value of the minimum payments, excluding executor costs, under the lease with a corresponding liability for the related lease obligations. The discount rate used to determine the present value of the lease payment is the lower of the Hospital's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expenses are made for amortization on the equipment and interest on the lease obligations.

#### (f) Employee future benefit plans:

- Multi-employer plan:

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit pension plan. In accordance with PSAS, the plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit plan accounting.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (f) Employee future benefit plans (continued):

- Post-retirement benefit obligations:

The Hospital accrues its obligations under non-pension employee benefit plans as employees render services.

Certain employees of the Hospital are entitled to receive other post-employment benefits. The cost of these benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined using the Hospital's long-term cost of borrowing consistent with the specific rates of interest and periods committed to by the Hospital on amounts borrowed. The Hospital estimated its long-term cost of borrowing by referencing the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on the cash flows expected from the post-retirement benefit obligations. Past service costs relating to plan amendments are expensed when incurred. Actuarial gains and losses are amortized over the remaining service periods of the employees. The average remaining service period of active employees is 14 years.

#### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity 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 portfolio investments that are unrestricted or Board designated are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Unrealized changes in fair value of portfolio investments related to externally restricted research are recorded in deferred research contributions.

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.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (g) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

There are three levels of fair value measurement to classify and measure fair value:

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### (h) Board designated net assets:

Board designated net assets include unrestricted donations and bequests as well as certain fund surpluses designated for specific purposes by the Board of Directors.

#### (i) Contributed services and materials:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and as such is not reflected in these financial statements. Contributed materials by volunteers are also not recognized in these financial statements.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 1. Significant accounting policies (continued):

#### (j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, recognition of program funding, carrying amount of capital assets and obligations related to post-retirement benefits. Actual results could differ from those estimates.

### 2. Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments. These items are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of three months or less, and include Canadian, US and Euro currencies.

A portion of the cash and cash equivalents are restricted for the following purposes:

	2021	2020
Internally and externally designated trusts and research operations	\$ 54,056	\$ 43,496
Construction facilities	15,717	13,663
Strategic Reserve Fund	533	756
Patient trust accounts	37	52
	<u>\$ 70,343</u>	<u>\$ 57,967</u>

Restricted cash and cash equivalents earn interest at an average rate of 0.79% (2020 – 0.73%).



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 3. Short-term investments:

Short-term investments consist of guaranteed investment certificates, deposit notes, government and corporate bonds, and other fixed term securities with remaining maturities of less than one year.

These investments are recorded at fair value of \$3,216 (2020 - \$20,212) as at March 31, 2021, with a cost of \$3,176 (2020 - \$20,100).

These investments are held for the following purposes:

	2021	2020
Internally and externally designated trusts and research operations	\$ 2,915	\$ 19,608
Strategic Reserve Fund	301	604
	\$ 3,216	\$ 20,212

These investments earn interest at an average rate of 2.66% (2020 – 3.34%).

### 4. Accounts receivable:

	2021	2020
LHIN	\$ 127,330	\$ 51,086
Ontario Health Insurance Plan	4,854	4,566
Patient	8,681	4,178
BAHT [note 18(e)]	101	638
Foundation, Volunteer Association, WLMH Foundation and Auxiliary [notes 18(a), (b), and (d)]	4,805	6,069
Research	31,730	29,874
Other	26,468	35,889
	\$ 203,969	\$ 132,300

On April 5, 2021, Ontario Health (West) communicated to the Hospital that it was the Ministry of Health's intention to retire the original adjusted Working Funds Deficit Reduction Program dated August 30, 2016. As part of retiring the agreement, Ontario Health (West) will provide the Hospital with one-time funding of \$13,000, which has been recorded in LHIN accounts receivable.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 5. Portfolio investments:

	Cost	2021 Fair value	Cost	2020 Fair value
Fixed income:				
Canadian	\$ 18,966	\$ 19,978	\$ 16,752	\$ 18,334
International	11,985	12,265	9,111	9,673
Preferred shares:				
Canadian	-	-	1,170	926
Equities:				
Canadian	18,646	22,184	20,950	19,535
International	20,611	24,896	22,896	22,592
	\$ 70,208	\$ 79,323	\$ 70,879	\$ 71,060

Fixed income investments have a weighted average term of 6.18 years (2020 – 5.03 years) to maturity and have an average yield of 3.07% (2020 - 3.43%) as at March 31, 2021.

These investments are held for the following purposes:

	2021	2020
Internally and externally designated trusts and research operations	\$ 52,378	\$ 50,203
Strategic Reserve Fund	26,945	20,857
	\$ 79,323	\$ 71,060

### 6. Investment income:

Investment income is classified as follows on the statement of operations:

	2021	2020
Investment income from Research (note 13)	\$ 5,229	\$ 7,091
Investment income from operations:		
Commitments and internally and externally designated trusts	9	22
Strategic Reserve Fund	625	448
Capital Acquisition Fund	1,857	4,271
Hospital operations	201	494
	2,692	5,235
	\$ 7,921	\$ 12,326

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 6. Investment income (continued):

Investment income is comprised of the following:

	2021	2020
Interest and dividend income	\$ 4,512	\$ 8,360
Net realized gains	3,578	4,142
Investments fees	(169)	(176)
	\$ 7,921	\$ 12,326

### 7. Capital assets:

Capital assets consist of the following:

March 31, 2021	Cost	Accumulated amortization	Net book value
Land	\$ 3,434	\$ -	\$ 3,434
Building and building improvements	1,019,251	323,808	695,443
Equipment	535,439	381,820	153,619
Construction-in-progress	68,820	-	68,820
	\$ 1,626,944	\$ 705,628	\$ 921,316

March 31, 2020	Cost	Accumulated amortization	Net book value
Land	\$ 3,434	\$ -	\$ 3,434
Building and building improvements	1,019,609	312,072	707,537
Equipment	453,847	361,774	92,073
Construction-in-progress	42,442	-	42,442
	\$ 1,519,332	\$ 673,846	\$ 845,486

Included in capital assets are assets under capital leases at a cost of \$51,529 (2020 - \$14,713) and accumulated amortization of \$3,987 (2020 - \$7,361).

Included in equipment are assets not yet being amortized at a cost of \$24,455 (2020 - \$7,770).

Capital assets with a cost of \$41,596 (2020 - \$7,755) were disposed of in fiscal 2021 at a net loss of \$3,680 (2020 - \$2,002) which is included in other expenses in the statement of operations.

During the year \$1,243 (2020 - \$416) of capital assets were donated to the Hospital.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 7. Capital assets (continued):

Construction-in-progress consists primarily of the Juravinski Stem Cell Transplant Expansion, West Lincoln Memorial Health and Safety Infrastructure Upgrade, West Lincoln Memorial Hospital Redevelopment, Hamilton General Diagnostic Imaging Interventional Vascular Room, revitalization of the Cogeneration Facilities at McMaster University Medical Centre ("McMaster"), Hamilton General and Juravinski, and the Health Information System renewal project ("Project Odyssey").

### 8. Managed equipment service agreement:

The Hospital entered into a 15-year Managed Equipment Services Agreement ("MESA") on December 20, 2019 with Siemens Healthcare Limited ("Siemens") to provide the Hospital, effective April 1, 2020, with comprehensive financing, maintenance, support, and procurement for a variety of diagnostic equipment in exchange for a blended annual service payment. The MESA is governed by various committees composed of representatives from the Hospital and Siemens.

As equipment is acquired under the MESA it is accounted for as a capital lease at the time of delivery. Under the MESA, a non-revolving cash facility is made available to the Hospital for the purpose of financing turnkey work required prior to the installation of equipment acquired under the MESA. The total amount available under the facility is \$48,000 and is to be drawn through 15 installments based on the expected installation dates of the associated equipment. As of March 31, 2021 \$nil (2020 - \$nil) was drawn. The facility bears fixed interest at a rate of 4.10%.

Services such as procurement, maintenance, and support provided under the MESA are expensed as incurred in the statement of operations. Due to differences in the timing of activities and payments under the MESA, the Hospital may record a deferred liability or prepaid deposit asset on the statement of financial position.

Future commitments under the MESA will change over time to reflect the changing requirements of the Hospital. Future payments are based on a detailed schedule of services and equipment which is subject to review and revision on an annual basis and include an annual adjustment to reflect inflationary indexes. The extent of future payments are also impacted by variable elements associated with performance targets.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 8. Managed equipment service agreement (continued):

Expected future payments under the MESA consist of the following:

	Capital lease	Turnkey financing	Operating commitments	Annual service payments
2022	\$ 2,732	\$ 3,262	\$ 5,195	\$ 14,608
2023	3,272	3,262	6,480	14,936
2024	3,943	3,262	6,351	15,169
2025	4,957	3,262	6,773	15,406
2026	5,208	3,262	7,737	15,648
Thereafter	94,692	29,364	68,261	185,508
	114,804	45,674	100,797	261,275
Less: amounts representing interest	17,898	1,622	-	19,520
	\$ 96,906	\$ 44,052	\$ 100,797	\$ 241,755

The following activity related to the MESA has been recognized in the financial statements for the year ending March 31, 2021:

	2021	2020
Equipment reserve	\$ 6,694	\$ -
Turnkey reserve payments	3,303	-
Capital lease principal payments	145	-
Capital lease interest payments	68	-
Maintenance expense	4,248	-

Included in capital assets are MES equipment and turnkey assets at a cost of \$14,603 (2020 - \$nil) and accumulated amortization of \$176 (2020 - \$nil).

As at March 31, 2021, \$13,324 (2020 - \$nil) relating to the MES capital lease obligation has been recognized in the financial statements, separate from the capital lease obligations disclosed in note 9 and is comprised of the following:

	2021	2020
Opening MES capital lease obligation	\$ -	\$ -
MES equipment additions	13,469	-
Less: capital lease principal payments	145	-
MES capital lease obligation	13,324	-
Less: current portion	2,732	-
	\$ 10,592	\$ -

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 8. Managed equipment service agreement (continued):

As at March 31, 2021, \$3,303 (2020 - \$nil) relating to the MES turnkey reserve has been recognized in the financial statements as follows:

	2021	2020
Opening MES turnkey reserve	\$ —	\$ —
Turnkey reserve payments	3,303	—
Less: drawdown	—	—
	\$ 3,303	\$ —

### 9. Lease commitments:

The Hospital has entered into various arrangements (excluding MESA) for the leasing of administrative office space, cloud-based services, and computer and medical equipment. The weighted average effective interest rate of the capital leases is 0.23% (2020 – 3.12%).

The future minimum annual payments consist of the following:

	Capital leases	Operating leases
2022	\$ 7,534	\$ 1,847
2023	6,722	1,644
2024	6,019	1,644
2025	6,019	1,644
2026	3,222	1,644
Thereafter	—	7,968
Total minimum lease payments	29,516	16,391
Less: amounts representing interest	54	
Obligations under capital leases	29,462	
Less: current portion	7,487	
	\$ 21,975	

Obligations under capital leases recognized in the financial statements includes the MES capital lease obligation (note 8).

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 10. Long-term debt:

	2021	2020
Capital loan payable by August 1, 2025 in monthly principal and interest instalments of \$58 at 4.65% per annum (a)	\$ 2,758	\$ 3,308
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$397 at 5.255% per annum (b)	10,655	11,646
Capital loan payable by September 17, 2029 in quarterly principal and interest instalments of \$150 at 4.33% per annum (c)	3,961	4,306
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$596 at 5.255% per annum (d)	15,739	17,206
Capital loan payable by October 4, 2023 in monthly principal and interest instalments of \$31 at 3.00% (e)	889	1,224
Capital loan payable by March 23, 2023, interest-only for 5 years at BA rate of interest (f)	25,000	25,000
Series A senior unsecured debentures due January 17, 2059 with semi-annual interest payments of \$3,683 at 3.68% (g)	200,000	200,000
	259,002	262,690
Less: current portion	3,887	3,688
Less: financing fees	940	995
Less: MES turnkey reserve (note 8)	3,303	—
	\$ 250,872	\$ 258,007

- a) On July 15, 2005, the Hospital entered into a \$9,000, 20-year financing arrangement for the purpose of financing the construction, acquisition, and development costs of parking equipment and improvements of the parking facilities at the Hamilton General Hospital ("General") and Juravinski Hospital ("Juravinski") sites. On a monthly basis, the Hospital is required to deposit the net profit, as defined, from the parking operations of the General and Juravinski sites into a net profit account held at the bank. At all times, the Hospital must maintain a minimum balance in the net profit account equal to the greater of \$400 or the total of the next scheduled payment of principal and interest. At March 31, 2021, the balance in the net profit account is greater than the minimum required balance and is included in restricted cash and cash equivalents on the statement of financial position.

As security, the bank has a first ranking specific assignment of all rights, title, and interest in and to all net profit and any other revenue and income arising from the General and Juravinski parking improvements from time to time but expressly excluding payments for monthly parking permits of employees of the Hospital; and a first ranking security agreement in respect of the net profit account. Under the terms of the financing agreement, the Hospital is required to comply with certain loan covenants and at year-end the Hospital was in compliance with these covenants.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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

The Hospital has in place an interest rate swap agreement ("Swap Agreement"), which will expire on August 1, 2025, that fixes the interest rate at 4.65%, plus stamping fees of 0.45%. The fair value of the Swap Agreement is based on amounts quoted by the Hospital's bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at March 31, 2021. The fair value of the Swap Agreement at March 31, 2021 is (\$238) [2020 - (\$354)].

On September 26, 2007, the Hospital entered into a \$19,500, 20-year financing arrangement for the purpose of financing construction costs related to energy retrofit contracts at the Chedoke, Juravinski, and General sites. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2021 is (\$1,801) [2020 - (\$2,481)].

On January 22, 2009, the Hospital entered into a \$6,900, 20-year financing arrangement for the purpose of financing the related construction costs for the central utility plant upgrade at the Juravinski site. The Hospital has a Swap Agreement in place that fixes the interest rate at 4.33%, plus stamping fees of 1.80%. The fair value of the Swap Agreement at March 31, 2021 is (\$509) [2020 - (\$748)].

On September 26, 2007, the Hospital entered into an amended \$25,000 financing agreement for the purpose of financing construction costs related to energy retrofit contracts at the McMaster site. In fiscal 2011, an additional \$3,000 was drawn on the facility and the energy enhancement interim construction loan was then converted into a 20-year term loan. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2021 is (\$2,659) [2020 - (\$3,660)].

On September 25, 2017 the Hospital entered into a \$2,043, six-year financing agreement for the purpose of financing capital acquisitions at McMaster, General, Juravinski and West Lincoln Memorial Hospital ("WLMH") sites.

On March 23, 2018, the Hospital entered into an \$11,000, five-year interest only revolving capital loan for the purpose of financing capital acquisitions. On October 31, 2018 and again on January 22, 2019 an additional \$7,000 was drawn on the facility. As of March 31, 2021, the \$25,000 facility has been fully drawn, however \$595 (2020 - \$4,114) has not yet been spent. The loan consists of monthly renewals through 30-day Banker's Acceptances with a current rate of interest of 0.94%. Prior to the end of the five-year period, the Hospital and the Lender may choose to arrange for a mutually agreeable repayment schedule. However, until such time in which refinancing takes place, the loan is considered due on demand at the end of the five-year commitment period.



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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

- b) On January 17, 2019, the Hospital issued a \$200,000 Series A senior unsecured debenture at par value for the purpose of financing capital investments. Total financing costs of \$1,196 were paid out of proceeds on issuance. The debenture bears interest at 3.68%, payable semi-annually on July 17 and January 17, with the principal to be repaid in full on January 17, 2059. As at March 31, 2021, \$23,800 of proceeds from the debenture have been invested with external investments managers as a Board designated Strategic Reserve Fund. As at March 31, 2021, \$39,260 (2020 - \$7,076) of the debenture proceeds have been spent.
- c) On February 1, 2021, the Hospital entered into an agreement for a \$50,000 non-revolving capital loan facility available in multiple draws for the CoGeneration Revitalization Project. The loan will be interest only until August 1, 2022 through 30-day banker's acceptances plus 0.58% stamping fee. As of March 31, 2021, \$nil has been drawn from the facility. The Hospital has a 20-year Swap Agreement in place that fixes the interest rate at 3.225% starting August 1, 2022. The fair value of the Swap Agreement at March 31, 2021 is (\$567).

The future minimum annual debt principal repayments over the next five years and thereafter are as follows:

2022	\$	3,887
2023		29,101
2024		4,131
2025		4,163
2026		3,989
Thereafter		213,731
	\$	259,002

### 11. Employee future benefit plans:

- (a) Multi-employer plan:

The Hospital's contributions to HOOPP during the year amounted to \$59,689 (2020 - \$59,218) and are included in salaries and employee benefits expense. The most recent actuarial valuation of HOOPP as at December 31, 2020 indicates the plan has a 19% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 11. Employee future benefit plans (continued):

#### (b) Post-retirement benefits:

The Hospital's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from the Hospital and are between the ages of 55 and 65. The post-retirement benefit obligations are calculated based on the latest actuarial valuation performed on March 31, 2019, extrapolated to March 31, 2021.

The sick leave benefit plan for employees was previously amended such that the future accumulation of sick leave credits was discontinued; however, employees are entitled to cash payments on a portion of their accumulated sick bank entitlements on termination of employment. As at March 31, 2021, the sick leave obligation amounted to \$2,165 (2020 - \$2,741).

The post-retirement benefits as at March 31, 2021 includes the following components:

	2021	2020
Accrued benefit obligation	\$ 76,995	\$ 76,211
Unamortized actuarial losses	(10,246)	(11,135)
<b>Post-retirement benefit liability</b>	<b>\$ 66,749</b>	<b>\$ 65,076</b>
	2021	2020
Post-retirement benefit liability, beginning of year	\$ 65,076	\$ 63,246
Current service cost	3,214	3,227
Interest cost	2,387	2,267
Amortization of actuarial losses	889	1,024
	71,566	69,764
Non-pension post-retirement funding contributions	(4,817)	(4,688)
<b>Post-retirement benefit liability, end of year</b>	<b>\$ 66,749</b>	<b>\$ 65,076</b>

The significant actuarial assumptions utilized in measuring the Hospital's accrued benefit obligations for the non-pension post-retirement benefit plans are as follows:

	2021	2020
Discount rate	3.10%	3.10%
Expected annual increase in dental care costs*	3.00%	3.00%
Expected annual increase in health care costs*	5.25%	5.25%

\*These rates are determined based on the McMaster Model of Long-Term Care Cost Trends in Canada, and are expected to converge to an ultimate rate of 3.57% in 2040.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 12. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 652,145	\$ 636,309
Add contributions for capital purposes:		
Ministry of Health ("MOH") & LHIN	59,557	35,829
Foundations and Volunteer Association	7,881	16,807
Other	4,455	8,537
	724,038	697,482
Less: Amortization	40,521	42,317
Disposals of related capital assets	6,253	3,020
Balance, end of year	\$ 677,264	\$ 652,145

Included in the above balance are contributions of \$25,158 (2020 - \$14,958) received but not yet utilized to purchase capital assets. Amortization is comprised of \$39,057 (2020 - \$40,779) from hospital operations and \$1,464 (2020 - \$1,538) from research operations. Included in the above additions are \$1,243 (2020 - \$416) of capital assets that were donated to the Hospital.

### 13. Deferred research contributions:

Deferred research contributions represent unspent externally restricted grants for research. The changes in the deferred research contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 62,709	\$ 75,216
Externally restricted contributions received	67,405	68,295
Amount recognized as revenue during the year	(62,143)	(80,525)
Net change in fair value on invested unspent deferred research balances	(626)	(277)
Balance, end of year	\$ 67,345	\$ 62,709

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 13. Deferred research contributions (continued):

Research revenues and expenses are calculated as follows:

	2021	2020
Research revenues:		
Investment income	\$ 5,229	\$ 7,091
Amortization of deferred capital contributions	1,464	1,538
Research and other revenues	89,699	130,848
	<u>\$ 96,392</u>	<u>\$ 139,477</u>
Research expenses:		
Salaries and employee benefits	\$ 46,285	\$ 48,913
Medical staff remuneration	2,229	2,171
Medical and surgical supplies	103	68
Drugs	2,972	2,215
Facilities	2,068	2,280
Amortization of capital assets	3,456	3,728
Other research expenses	38,392	62,892
	<u>\$ 95,505</u>	<u>\$ 122,267</u>

Other research revenues of \$89,699 (2020 - \$130,848) consist of externally restricted research grants and donations recognized in income during the year of \$62,143 (2020 - \$80,525) and \$27,556 (2020 - \$50,323) from research administered accounts, internally restricted by the Hospital's Board of Directors.

### 14. Net assets invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2021	2020
Capital assets – net	\$ 921,316	\$ 845,486
Less amounts funded by:		
Deferred capital contributions spent (note 12)	652,106	637,187
Obligations under capital leases (note 8, 9)	42,786	3,640
Long-term debt spent (note 10)	94,363	65,652
	<u>\$ 132,061</u>	<u>\$ 139,007</u>

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 14. Net assets invested in capital assets (continued):

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

	2021	2020
Amortization of capital assets	\$ (63,445)	\$ (66,215)
Amortization of deferred capital contributions	40,521	42,317
	(22,924)	(23,898)
Purchase of capital assets - net	139,275	71,605
Amounts funded by deferred capital contributions, net	(55,440)	(54,952)
(Increase) decrease in obligations under capital leases	(39,146)	2,716
Amounts funded by long-term debt	(28,711)	(6,643)
	15,978	12,726
	\$ (6,946)	\$ (11,172)

### 15. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2021	2020
Accounts receivable	\$ (71,669)	\$ (16,655)
Inventories	(5,584)	(3,062)
Prepaid expenses and deposits	3,152	(2,291)
Accounts payable and accrued liabilities	46,078	19,074
Deferred revenue	1,187	(773)
	\$ (26,836)	\$ (3,707)

### 16. Operating line of credit:

As at March 31, 2021, the Hospital has available a \$100,000 (2020 - \$75,000) unsecured demand operating line of credit, of which \$nil (2020 - \$nil) was drawn. This primary facility bears interest at the prime rate less 0.80%.

As at March 31, 2021, the Hospital has available a \$40,000 (2020 - \$40,000) unsecured demand operating line of credit, of which \$nil (2020 - \$nil) was drawn. This secondary facility bears interest at the prime rate less 0.75%.

As at March 31, 2021, the prime interest rate is 2.45% (2020 - 2.45%) and the Hospital is compliant with its lending covenants.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 17. Commitments and contingencies:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims as at March 31, 2021, it is management's position that the Hospital has valid defenses and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
- (b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. All members of the pool pay premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No losses have been assessed as at March 31, 2021.
- (c) The Hospital is currently in the planning stages of the multi-phased Our Healthy Future ("OHF") initiative. The LHIN has endorsed the Hospital's vision for its programs and services over the next 20 years as outlined in the OHF initiative. This long-range vision is the first in a multi-step capital planning process to renew the hospital facilities and model of care.

During fiscal 2021, the MOH approved a one-time capital planning grant of up to \$15,009 to support further planning and other activities needed to move the West Lincoln Memorial Hospital Redevelopment Project through to Commercial Close. The Stage Two Functional Program has been approved by the MOH with approval for the project to proceed to Stage Three.

While the endorsement from the LHIN is an important milestone in the planning process to evolve the Hospital's model of care and facilities, it does not mean that the proposed redevelopment projects have been approved.

- (d) The Hospital has committed to an infrastructure upgrade project at the WLMH site. Costs are projected to be \$11,879 (2020 - \$11,879) with a maximum grant of \$10,495. The project reached substantial completion in November 2020 and has outstanding commitments of \$153 as at March 31, 2021.
- (e) The Hospital has committed to the Stem Cell Transplant Expansion Project at the Juravinski site. Costs are projected to be \$28,560 with a maximum grant of \$25,166. The project is currently in progress, with expected completion in July 2021. As at March 31, 2021, total costs incurred are \$23,831 (2020 - \$15,168).
- (f) In response to the COVID-19 Pandemic, the Hospital has committed to the deployment of the Mobile Health Unit project at the Hamilton General Hospital site. During fiscal 2021, the MOH approved a one-time capital grant of up to \$12,335 towards the estimated total project costs. As at March 31, 2021, total costs incurred are \$235 (2020 - \$nil).
- (g) The total capital expenditure commitments for the projects described in (c), (d) and (e) above and other minor projects outstanding as at March 31, 2021 are estimated to be \$83,365 (2020 - \$40,495).

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 17. Commitments and contingencies (continued):

- (h) As at March 31, 2021, the Hospital has outstanding letters of credit of \$3,440 (2020 - \$3,440) related to various construction and renovation projects.
- (i) The Hospital is in the process of developing pay equity plans with certain employee groups. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in the financial statements.

### 18. Related party transactions:

- (a) The Foundation is an independent organization that raises funds and holds resources solely for the benefit of the Hospital. The Foundation is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act. The Hospital is considered to be affiliated with the Foundation due to common directors on the boards. All amounts received from the Foundation are restricted in use by the Foundation and accordingly are accounted for by the Hospital as externally restricted contributions. The Foundation contributed \$6,763 during fiscal 2021 (2020 - \$14,674) for capital and \$1,199 (2020 - \$1,561) for research. Included in the Hospital's assets as at March 31, 2021 is \$3,212 (2020 - \$4,218) in accounts receivable from the Foundation.
- (b) The Volunteer Association is an independent organization that raises funds and holds resources for the benefit of the Hospital. In November 2011, the Hospital entered into a ten-year lease agreement with the Volunteer Association to manage the Hospital's parking operations. The Volunteer Association pays rent in-kind to the Hospital as an annual irrevocable gift, which is restricted for capital projects. All amounts received from the Volunteer Association are restricted and accordingly are accounted for as externally restricted contributions. The Volunteer Association contributed \$5,507 (2020 - \$13,452) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2021 is \$934 (2020 - \$1,620) in accounts receivable from the Volunteer Association.
- (c) HHSRI solicits, receives, manages, and distributes funds in respect of the advancement of health science research and education and the improvement of patient care in support of legislated and strategic priorities of the Hospital. HHSRI is a corporation without share capital under the laws of Canada and is a registered charity under the Income Tax Act. The Hospital is considered to be affiliated with and has significant influence over HHSRI as the Chief Executive Officer ("CEO") of the Hospital is also the CEO and a board member of HHSRI. The Hospital provides executive management, finance, and administrative services to HHSRI under a Management Services Agreement. During fiscal 2021, HHSRI paid the Hospital \$394 (2020 - \$386) for services under the Management Services Agreement and HHSRI contributed \$10,920 (2020 - \$12,769) to the Hospital for research. Included in the Hospital's assets at March 31, 2021 is \$9,124 (2020 - \$3,926) in accounts receivable from HHSRI. During fiscal 2021, the Hospital authorized a designated gift of \$2,628 to HHSRI (2020 - \$16,926). As of March 31, 2021 the balance was recorded in accounts payable and accrued liabilities.

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## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 18. Related party transactions (continued):

- (d) The WLMH Foundation and the Auxiliary are both independent organizations. The WLMH Foundation receives and maintains funds for charitable purposes which it donates to the Hospital for the use of operations, renovations, maintenance, and equipment. The Auxiliary raises money to assist the Hospital in the acquisition of medical equipment and to assist the programs. The WLMH Foundation contributed \$922 (2020 - \$356) during the year for capital and non-capital expenses. The Auxiliary contributed \$707 (2020 - \$71) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2021 is \$655 (2020 - \$230) in accounts receivable from the WLMH Foundation and \$4 (2019 - \$1) from the Auxiliary.
- (e) BAHT is a commercial entity dedicated to developing business opportunities harnessing private sector experience, energy, and entrepreneurship to benefit the community by supporting profitable business development in the health-care sector. The beneficiaries of BAHT are the Hospital, the Foundation, and McMaster University. Transactions with BAHT are considered to be in the normal course of operations and are recorded at the exchange amount.

Included in the Hospital's assets as at March 31, 2021 is \$101 (2020 - \$638) in accounts receivable of which \$91 (2020 - \$631) is interest bearing at a rate of prime less 0.20%. Included in the Hospital's accounts payable is \$13 (2020 - \$243). In the current year, the Hospital earned investment income of \$13 (2020 - \$23), received a beneficiary distribution of \$250 (2020 - \$nil), and paid \$11,376 (2020 - \$12,225) of non-salary expenses to BAHT. The Hospital has guaranteed a portion of BAHT's financing and as at December 31, 2020, \$39,199 (December 31, 2019 - \$40,905) was outstanding.

The Hospital has an operating lease agreement with BAHT, which includes the management of three cogeneration facilities, each located at Hospital sites. The agreement states the Hospital is responsible for all variable costs required to operate and maintain the equipment of each facility.

The Hospital is negotiating with BAHT and its lenders to assume ownership of the cogeneration assets and related financing that is currently guaranteed by HHS. The transaction is expected to be finalized during the fiscal year ending March 31, 2022. At the transaction date, the operating lease with BAHT will cease and the Hospital will no longer guarantee any of BAHT's financing.



# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

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### 19. Financial instruments and risk management:

#### (a) Financial instruments:

The Hospital's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, short-term investments, portfolio investments, accounts receivable, accounts payable and accrued liabilities, long-term debt, obligations under capital leases, and derivative liabilities.

#### (b) Fair value measurement:

Within the fair value hierarchy, as at March 31, 2021 and 2020, cash and cash equivalents, restricted cash and cash equivalents, short-term investments and portfolio investments are classified as Level 1, and derivative liabilities are classified as 2.

#### (c) Risk management:

The Hospital is exposed to a variety of financial risks, including market risk, credit risk, and liquidity risk. The Hospital's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance. The Hospital is exposed to market risk with regards to its short-term investments, portfolio investments, and floating rate debt, which are regularly monitored.

##### (i) Market risk:

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Hospital is exposed are interest rate, currency, and other price risks.

##### (a) Interest rate risk:

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument fluctuates because of changes in market interest rates. The Hospital is exposed to interest rate risk on its investments and long-term debt. Of these risks, the Hospital's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and excess interest cost. The Hospital has effectively fixed its interest rate on the majority of its floating rate long-term debt by entering into various interest rate swaps.

The Hospital currently employs interest rate swaps to convert its variable interest rate on \$33,113 of its floating rate loan facilities to a fixed interest rate (note 10). Interest rate swaps are employed in order to reduce variability in future interest cash flows. The swaps are measured at fair value until the swap is settled and the change in fair value is recorded in the statement of remeasurement gains and losses.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 19. Financial instruments and risk management (continued):

#### (c) Risk management (continued):

##### (i) Market risk (continued):

##### (b) Currency risk:

Currency risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Hospital's future cash flows or the fair value of its financial instruments. The Hospital's exposure to foreign currency exchange risk is on the cash and cash equivalents, restricted cash and cash equivalents, short-term investments, portfolio investments and other non-current assets which includes cash, securities and notes receivable denominated in US dollars and euros. As at March 31, 2021, the total amount of cash, securities and other non-current assets denominated in a foreign currency was \$36,089 (2020 - \$38,013).

The Hospital's estimate of the effect on net assets as at March 31, 2021 due to a 1.00% increase or decrease in the exchange rates, with all other variables held constant, would approximately amount to an increase or decrease of \$361 (2020 - \$380).

##### (c) Other price risk:

Other price risk refers to the risk the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from risks noted above). The Hospital is exposed to other price risk through its portfolio investments.

As at March 31, 2021, the Hospital's total exposure to other price risk is \$79,323 (2020 - \$71,060). The Hospital's estimate on the effect of net assets as at March 31, 2021 due to a 1.00% increase or decrease in the fair value of long-term investments, with all other variables held constant, would approximately amount to an increase or decrease of \$793 (2020 - \$711). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 19. Financial instruments and risk management (continued):

#### (c) Risk management (continued):

##### (ii) Credit risk:

The Hospital is exposed to credit risk in the event of non-payment by patients for uninsured services and services provided to non-resident patients. The risk is common to hospitals as they may be required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2021, the following accounts receivable were past due but not impaired:

		30 days		60 days		90 days		Over 120 days
Accounts receivable	\$	10,770	\$	4,237	\$	1,226	\$	7,821

The Hospital is also exposed to credit risk through its portfolio investments in high quality bonds and equity securities and loans receivable. Management considers the credit risk to be low as the Hospital only places its investments with reputable and financially stable organizations and the portfolio is monitored by the Investment Committee.

##### (iii) Liquidity risk:

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with financial liabilities as they come due. The Hospital monitors its operations and cash flows to ensure the current and future obligations will be met. The Hospital believes its current sources of liquidity are sufficient to cover its known short and long-term cash obligations.

The table below is a maturity analysis of the Hospital's financial liabilities:

	Up to 6 months	More than 6 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 279,221	\$ —	\$ —	\$ —	\$ 279,221
Obligations under capital leases	3,705	3,782	21,976	13,323	42,786
Long-term debt	1,925	1,962	41,384	209,488	254,759
Other long-term liabilities	—	644	2,123	2,795	5,562
Derivative liabilities	—	—	—	5,774	5,774
	\$ 284,851	\$ 6,388	\$ 65,483	\$ 231,380	\$ 588,102

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(All amounts are expressed in thousands of dollars)

### 20. Funding agreements:

The Hospital entered into funding agreements with various parties which require the disclosure of the revenues and expenditures for the respective program as follows:

#### (a) Clinical Education Program:

During the year, the Clinical Education Program incurred expenses of \$80,661 (2020 - \$81,248) and received \$82,168 (2020 - \$82,158) from the MOH. As applicable, the surplus in funding is owed to the MOH, and, as such, a payable of \$1,507 (2020 - \$910) has been included in accounts payable and accrued liabilities.

#### (b) Diabetes Education Program:

During the year, the Diabetes Education Program incurred expenses of \$1,033 (2020 - \$1,006) and received \$874 (2020 - \$874) from the LHIN.

	2021	2020
Revenue	\$ 874	\$ 874
Expenses:		
Salaries and benefits	\$ 1,014	\$ 991
General operating expenditures	19	15
Total expenses	\$ 1,033	\$ 1,006

#### (c) Emergency Department Physician Program:

During the year, the Emergency Department Physician Program at the WLMH site incurred expenses of \$2,064 (2020 - \$1,964) and received \$2,185 (2020 - \$1,964) in funding. As applicable, the surplus in funding is owed to the MOH, and, as such, a payable of \$121 (2020 - \$nil) has been included in accounts payable and accrued liabilities.

	2021	2020
Revenues:		
MOH	\$ 1,540	\$ 1,434
COVID surge fund	67	–
APP premium payments	449	500
Medical trainee programs	2	2
OHIP and 3 <sup>rd</sup> party	6	28
	\$ 2,064	\$ 1,964

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

### 20. Funding agreements (continued):

#### (d) Emergency Department Physician Program (continued):

	2021	2020
Expenses:		
Physician:		
Participating physicians' services	\$ 1,510	\$ 1,394
COVID surge fund	66	—
APP premium payments	446	500
Non-participating physicians' services	10	36
Mentorship program	2	—
	2,034	1,930
Administration:		
Medical director	6	6
Billing administration	24	28
	30	34
	\$ 2,064	\$ 1,964

### 21. Coronavirus COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. In response to COVID-19 and consistent with guidance provided by the Ministry and other government agencies, the Hospital has implemented a number of measures to protect patients and staff from COVID-19. In addition, the Hospital has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

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

The Ministry has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs, and revenue impacts resulting from COVID-19. In addition to these funding programs, the Ministry is also permitting hospitals, on a one-time basis, to redirect unearned funding from select hospital programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

# HAMILTON HEALTH SCIENCES CORPORATION

## Notes to Financial Statements

Year ended March 31, 2021

(All amounts are expressed in thousands of dollars)

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### 21. Coronavirus COVID-19 pandemic (continued):

While the Ministry has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The Ministry has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of Ministry revenue for COVID-19 is based on the most recent guidance provided by the Ministry and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of management's estimation process, the Hospital has determined a range of reasonably possible amounts that are considered by management to be realistic, supportable and consistent with the guidance provided by the Ministry. However, given the potential for future changes to funding programs that could be announced by the Ministry, the Hospital has recorded a provision of \$16,304 as an allowance offsetting LHIN receivables. Any adjustments to management's estimate of Ministry revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the Ministry funding for COVID-19 included in LHIN revenue for the current year are summarized below:

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Incremental COVID-19 operating expenses	\$	56,411
Lost insurance based or non-MOH revenue resulting from COVID-19		16,579
Pandemic pay program		15,691
Unused funding from select hospital programs		13,089
Less: provision for future changes to funding programs		(16,304)
	\$	85,466

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In addition to the above, the Hospital has also recognized \$14,366 in Ministry funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

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Notes to Financial Statements

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## **22. Restructuring transaction of Integrated Decision Support (“IDS”):**

On March 11, 2021, the Hospital transferred the ongoing operations of Integrated Decision Support (“IDS”), including assets and liabilities, to the Ontario Hospital Association (“OHA”). All contingent liabilities and/or contractual obligations were also transferred as part of the restructuring transaction.

As part of the Acquisition Agreement between the Hospital and the OHA, the Hospital will provide specific hosting, support and transition services, and related equipment/software required to operate the technical environment for IDS.

The carrying amount of the assets and liabilities transferred at the date of the transaction was \$619 and consisted primarily of capital assets and deferred capital contributions. The Hospital also provided consideration of \$2,034, representing the outstanding commitment associated with the approved IDS platform refresh. The Hospital incurred a loss on this restructuring transaction of \$2,666 consisting mainly of the consideration provided and the disposal of assets transferred, which has been recorded in other expenses in the statement of operations.