

Women's College Hospital

Consolidated Financial Statements

March 31, 2021



Independent auditor's report

To the Board of Directors of Women's College Hospital

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Women's College Hospital and its subsidiary (together, the Hospital) as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Hospital's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control

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as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Hospital to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 16, 2021

Women's College Hospital
 Consolidated Statement of Financial Position
 As at March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Assets		
Current assets		
Cash	48,835	37,118
Restricted cash (note 3)	5,207	7,116
Investments	16,228	16,192
Accounts receivable (note 11)	19,611	16,038
Inventories and prepaid expenses	2,029	1,989
	<u>91,910</u>	<u>78,453</u>
Long-term accounts receivable (note 11)	3,300	4,400
Capital assets (note 4)	<u>326,521</u>	<u>339,274</u>
	<u>421,731</u>	<u>422,127</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	24,949	19,393
Deferred revenue (note 5)	15,552	11,978
Deferred research grants (note 6)	17,753	13,991
Deferred capital contributions (note 9)	3,993	3,993
Long-term debt (note 7)	8,001	8,001
	<u>70,248</u>	<u>57,356</u>
Employee future benefit obligations (note 8)	3,407	3,268
Deferred capital contributions (note 9)	147,629	154,857
Long-term debt (note 7)	<u>149,145</u>	<u>157,146</u>
	<u>370,429</u>	<u>372,627</u>
Net Assets		
Investment in capital assets	26,088	24,604
Unrestricted	<u>25,214</u>	<u>24,896</u>
	<u>51,302</u>	<u>49,500</u>
	<u>421,731</u>	<u>422,127</u>
Contingencies and commitments (note 10)		

Approved by the Board of Directors


 _____ Director
Heather McPherson


 _____ Director
Tammy Brown

The accompanying notes are an integral part of these consolidated financial statements.

Women's College Hospital
Consolidated Statement of Operations
For the year ended March 31, 2021

(in thousands of dollars)

	2021	2020
	\$	\$
Revenue		
Province of Ontario	150,127	138,253
Patient revenue	1,613	2,181
Research grants	10,212	11,152
Ancillary services and other sources	13,576	12,150
Investment income	347	1,085
Amortization of deferred capital contributions (note 9)	7,715	8,479
	<hr/>	<hr/>
	183,590	173,300
	<hr/>	<hr/>
Expenses		
Salaries, wages and benefits	107,448	97,718
Medical and surgical supplies and drugs	4,654	5,241
Other supplies and expenses	41,037	39,670
Amortization of capital assets	16,544	17,038
Interest on long-term debt	12,105	12,192
	<hr/>	<hr/>
	181,788	171,859
	<hr/>	<hr/>
Excess of revenue over expenses for the year	1,802	1,441
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The accompanying notes are an integral part of these consolidated financial statements.

Women's College Hospital
 Consolidated Statement of Changes in Net Assets
 For the year ended March 31, 2021

(in thousands of dollars)

			2021	2020
	Investment in capital assets \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	24,604	24,896	49,500	48,059
Excess of revenue over expenses for the year	-	1,802	1,802	1,441
Internally funded capital assets	1,484	(1,484)	-	-
Balance – End of year	26,088	25,214	51,302	49,500

The accompanying notes are an integral part of these consolidated financial statements.

Women's College Hospital
 Consolidated Statement of Cash Flows
 For the year ended March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	1,802	1,441
Items not involving cash		
Amortization of capital assets	16,544	17,038
Amortization of deferred capital contributions	(7,715)	(8,479)
Employee future benefit obligations	139	122
Investment income reinvested	(36)	(265)
	10,734	9,857
Changes in non-cash working capital balances		
Accounts receivable	(2,473)	2,436
Inventories and prepaid expenses	(40)	(353)
Accounts payable and accrued liabilities	5,556	56
Deferred revenue	3,574	1,624
Deferred research grants	3,762	1,969
	10,379	5,732
	21,113	15,589
Capital activities		
Purchase of capital assets	(3,791)	(3,473)
Financing activities		
Restricted cash (note 3)	1,909	(928)
Capital contributions received (note 9)	487	33
Repayment of long-term debt (note 7)	(8,001)	(8,672)
	(5,605)	(9,567)
Increase in cash during the year	11,717	2,549
Cash – Beginning of year	37,118	34,569
Cash – End of year	48,835	37,118

The accompanying notes are an integral part of these consolidated financial statements.

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

1 Operations

Women's College Hospital (the Hospital) is incorporated without share capital under the laws of Ontario. It is an independent public ambulatory care teaching hospital, with a primary focus on women's health. As an academic health-care centre affiliated with the University of Toronto, the Hospital supports research in women's health and provides training to health-care providers within an ambulatory setting. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

2 Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include the operations and the financial results of the Academic Family Health Team (AFHT), which the Hospital exercises control over and operates as part of the Hospital's Family Practice Health Centre. Revenue and expenses incurred in the ordinary course of business between consolidated entities and all intercompany balances as at the end of the fiscal year have been eliminated on consolidation. The AFHT is a corporation without share capital under the laws of Ontario, devoted to patient care, education and research through an inter-disciplinary team of health-care professionals.

Basis of presentation

These consolidated financial statements include the assets, liabilities and activities of the Hospital. They have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

These consolidated financial statements do not include the assets, liabilities and activities of the following non-controlled not-for-profit entities:

- Women's College Hospital Foundation (the Foundation)
- Women's College Health Research
- The Association of Volunteers, Women's College Hospital

Revenue recognition

The Hospital follows the deferral method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded. Externally restricted contributions are deferred when initially recorded and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for specific capital expenditures are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health and Long-Term Care (MOHLTC) and the Toronto Central Local Health Integration Network (TCLHIN).

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

Operating grants are recorded as revenue in the year to which they relate. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year. The MOHLTC and the TCLHIN grants that are approved but not received at the end of the year are accrued. These consolidated financial statements reflect funding arrangements agreed to with the TCLHIN.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital projects in progress are amortized when they are substantially complete and ready for productive use. When capital assets no longer contribute to the Hospital's ability to provide services, their carrying amounts are written down to their residual value.

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates as provided by MOHLTC guidelines:

Buildings and leasehold improvements	15 – 30 years
Equipment	7 – 20 years
Software	3 – 5 years

Employee future benefit obligations

The Hospital accrues its obligations under employee benefit plans and the related costs are as follows:

- Multi-employer plan

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer plan. The plan provides pensions based on length of service and the best five years' average earnings. Contributions made to HOOPP are expensed as funded, as the Hospital has adopted defined contribution plan accounting principles for the plan because insufficient information is available to apply defined benefit plan accounting principles.

- Employee future benefits

The Hospital provides certain health-care, dental, life insurance and other benefits for certain retired employees. The Hospital accrues its obligations under non-pension employee benefits as employees render service. The costs of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and based on management's best estimate assumptions of retirement ages of employees and expected health-care costs. Actuarial gains (losses) are amortized over the average remaining service period of the active employees. Past service costs are expensed when incurred. The accrued benefit obligation related to employee benefits is discounted using current interest rates based on the Hospital's cost of borrowing. Adjustments arising from plan amendments are recognized in the year the plan amendments occur.

Sick days that accumulate, but do not vest, are accrued as an employee benefit obligation.

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

Financial instruments

The Hospital's financial instruments consist of cash, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities and long-term debt. The Hospital's financial instruments are initially recognized at fair value and then subsequently measured as follows:

Assets/liabilities	Measurement category
Cash	fair value
Restricted cash	fair value
Investments	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash and investments are measured as Level 1 financial instruments and investments are held in fixed income securities.

Use of estimates and measurement uncertainty

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

A portion of the revenue recognized from MOHLTC requires estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by MOHLTC for the year ended March 31, 2021. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

If the Hospital does not meet its performance standards or obligations as set out in the agreements or in specific funding letters, MOHLTC has the right to adjust funding received by the Hospital. MOHLTC is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of MOHLTC funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management's best estimates of amounts relating to funding that are reasonably assured of being received.

The coronavirus pandemic (COVID-19) has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions related to critical estimates as they relate to funding received from MOHLTC for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by MOHLTC as of the date of these consolidated financial statements. There is uncertainty as to the extent to which funding will be clawed back if additional clarifying guidance is published by MOHLTC. While management believes the amounts recognized are reasonably assured of being received, given the likelihood of MOHLTC issuing additional guidance, there is an increased risk that funding provided may be clawed back and that COVID-19 funding has not been appropriately recorded in the consolidated statement of operations.

In addition to the revenue recognized from the MOHLTC and the TCLHIN, accounts requiring significant estimates also include the value of the obligations related to employee future benefits. Employee future benefits liabilities (note 8) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding health-care cost trend rates for retiree benefits may be significant.

Other amounts that use estimates include capital assets, collectibility of accounts receivable, accrued and contingent liabilities and deferred revenue. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the year in which they are known.

3 Restricted cash

Restricted cash of \$5,207 (2020 – \$7,116) includes funds that are administered by the Hospital on behalf of affiliated groups. Any excess earnings are recorded as restricted cash with the corresponding liability.

4 Capital assets

	2021		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	2,200	-	2,200
Buildings and leasehold improvements	417,743	103,735	314,008
Equipment and information systems	60,013	49,700	10,313
	479,956	153,435	326,521

Women's College Hospital
Notes to Consolidated Financial Statements
March 31, 2021

(in thousands of dollars)

	2020		
	Cost \$	Accumulated amortization \$	Net \$
Land	2,200	-	2,200
Buildings and leasehold improvements	417,666	89,365	328,301
Equipment and information systems	56,299	47,526	8,773
	<u>476,165</u>	<u>136,891</u>	<u>339,274</u>

5 Deferred revenue

	2021 \$	2020 \$
Deferred revenue – Beginning of year	11,978	10,354
Contributions received/accrued	6,477	2,767
Revenue recognized	(2,903)	(1,143)
	<u>15,552</u>	<u>11,978</u>

6 Deferred research grants

Deferred research grants represent externally restricted unspent resources that are related to subsequent years. Changes in the deferred research grants are as follows:

	2021 \$	2020 \$
Deferred research grants – Beginning of year	13,991	12,022
Contributions received/accrued	17,791	16,605
Revenue recognized	(14,029)	(14,636)
	<u>17,753</u>	<u>13,991</u>

7 Long-term debt

Total long-term debt comprises the following:

	2021 \$	2020 \$
Hospital redevelopment debt	152,746	159,647
Bank facility debt	4,400	5,500
	<u>157,146</u>	<u>165,147</u>
Less: Current portion	8,001	8,001
	<u>149,145</u>	<u>157,146</u>

Women’s College Hospital
Notes to Consolidated Financial Statements
March 31, 2021

(in thousands of dollars)

Hospital redevelopment debt

The consolidated financial statements reflect an obligation associated with the redevelopment of the Hospital. In June 2010, the Hospital entered into a Development Accountability Agreement with the MOHLTC to support the redevelopment project. The funding of the total construction costs and related obligation are shared between the MOHLTC at approximately 90% and the Hospital at approximately 10%. The Hospital paid its full obligation at substantial completion in September 2015 and the MOHLTC’s obligation, consisting of principal and interest, is to be paid over the remaining term, which ends May 2043.

The debt bears interest at 6.03% based on the initial debt of \$203,123, is repayable in monthly blended payments of \$1,506 on a straight-line basis and matures on May 14, 2043.

During the year ended March 31, 2021, interest expense of \$11,173 (2020 – \$11,173) was included in expenses in the consolidated statement of operations.

Principal and interest payments due within each of the next five years and thereafter are noted below:

	Debt \$	Interest \$
2022	6,901	11,173
2023	6,901	11,173
2024	6,901	11,173
2025	6,901	11,173
2026	6,901	11,173
Thereafter	118,241	192,035
	<hr/> 152,746	<hr/> 247,900

Bank facility debt

The Hospital has a credit agreement with the bank that financed payments related to substantial completion of the redevelopment project. Under the credit agreement, \$49,100 was provided to the Hospital. In the year, \$1,100 was repaid. The remaining funds will be repaid between April 2020 and March 2025 using future grants from the Foundation.

The debt bears interest at 3.2%. During the year ended March 31, 2021, interest expense of \$176 (2020 – \$230) was included in expenses in the consolidated statement of operations.

The obligation requires payments as noted below:

	\$
2022	1,100
2023	1,100
2024	1,100
2025	1,100
	<hr/> 4,400

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

Credit facilities

The Hospital has \$10,000 available through unsecured lines of credit to facilitate operations and equipment purchases. As at March 31, 2021, \$nil amount is owing on these lines of credit (2020 – \$nil).

8 Employee future benefit obligations

Pension plan

Contributions made to the plan during the year by the Hospital amounted to \$4,935 (2020 – \$4,717). These amounts are included in the salaries, wages and benefits expense in the consolidated statement of operations. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies.

Non-vested sick leave

The Hospital provides sick leave benefits to certain employee groups. All employees in the group can accumulate 18 days per year for use as paid absences due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreements. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment and no payout of residual accumulation is made. The benefit costs and liabilities related to the plan are included in employee future benefit obligations.

Other post-employment benefits

Employees of the Hospital are entitled to certain post-employment benefits. The Hospital recognizes these benefits as earned.

The employee future benefit obligations include the following components:

	2021	2020
	\$	\$
Accrued benefit obligation for other post-employment benefits	4,407	3,190
Unamortized actuarial gain	(1,000)	78
	<hr/>	<hr/>
Employee future benefit obligations	3,407	3,268

Women's College Hospital
Notes to Consolidated Financial Statements
March 31, 2021

(in thousands of dollars)

The movement in the employee future benefit obligations relating to other post-employment benefits during the year is as follows:

	2021 \$	2020 \$
Balance – Beginning of year	3,268	3,146
Current service cost	301	299
Interest cost	101	92
Benefits paid	(261)	(271)
Amortization of actuarial gains	(2)	2
Pension expense for the year	139	122
Balance – End of year	3,407	3,268

The movement in the sick pay obligation (which is included in the accrued benefit obligation above) is as follows:

	2021 \$	2020 \$
Sick pay – Beginning of year	667	648
Expensed during the year	98	95
Less: Paid during the year	78	76
Sick pay – End of year	687	667

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are the Hospital's best estimates of expected rates:

	2021 %	2020 %
Discount rate	3.00	2.80
Rate of compensation increase	2.75	3.00
Medical benefit cost escalation, decreasing by 0.25% per annum to an ultimate rate of 3.95%	5.57	6.00

9 Deferred capital contributions

	2021 \$	2020 \$
Balance – Beginning of year	158,850	167,296
Additions	487	33
Amortization	(7,715)	(8,479)
Balance – End of year	151,622	158,850
Less: Current portion	3,993	3,993
Long-term portion	147,629	154,857

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

The current portion of deferred capital contributions represents the unspent amount of externally restricted funds. The long-term portion represents the unamortized amount of contributions, which has been used for the purpose of purchasing capital assets.

10 Contingencies and commitments

Contingencies

The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC) and therefore has an economic interest in HIROC. HIROC is a pooling of the insurance risks of its health-care members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2021. Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses.

The Hospital has an agreement with Plexxus, a not-for-profit shared services organization whose primary responsibility is to provide material management services to the Hospital and its other members through a cost-saving model. It also provides certain information technology services and is paid a service fee by its members to pay for supply chain services and to support and maintain the financial reporting system (SAP).

Commitments

In July 2010, the Hospital signed an agreement with Women's College Partnership to build, maintain and finance the redevelopment of the Hospital facility with interim completion in May 2013 and substantial completion in September 2015.

On interim completion, the lifecycle and facility maintenance costs commenced for a period of 30 years, with the final payment due May 2043. For the term of the agreement, variable monthly payments for facility maintenance costs are payable and a portion of the payment is subject to indexing and escalation as per the agreement.

The MOHLTC has approved an annual grant to fund approximately 90% of the lifecycle component of these payments.

Lifecycle payments due within each of the next five years and thereafter are noted below:

	\$
2022	1,207
2023	1,389
2024	2,096
2025	1,483
2026	1,571
Thereafter	<u>62,239</u>
	<u>69,985</u>

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

The Hospital has entered into various operating lease arrangements, which expire on various dates up to 2023. The minimum rental payments for the next four fiscal years are as follows:

	\$
2022	703
2023	89
	<hr/>
	792
	<hr/>

11 Related entities

The Foundation raises funds to support capital, education and other specific projects 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 (Canada). The Hospital is considered to have influence over the Foundation due to common directors on the boards. The Foundation grants funds to the Hospital as approved by the Board of the Foundation. During the year, related party transactions include the following:

- An amount of \$6,772 (2020 – \$6,272) was received by the Hospital of Foundation grants and other transfers.
- An amount of \$544 (2020 – \$43) related to the Foundation grants is owed to the Hospital as at March 31, 2021 and is included in accounts receivable.
- An amount of \$4,400 (2020 – \$5,500) relating to the ongoing commitment by the Foundation to fund the new facility has been included in accounts receivable.

The Foundation grants are to be received as follows:

	\$
2022	1,100
2023	1,100
2024	1,100
2025	1,100
	<hr/>
	4,400
	<hr/>

12 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 program 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, which includes interest rate risk and other price risk, with regard to its investments, which are regularly monitored.

Women's College Hospital

Notes to Consolidated Financial Statements

March 31, 2021

(in thousands of dollars)

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 and other price risks.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is exposed to interest rate risk as a result of cash balances and investments. The Hospital manages this risk through its investment policy and has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. As at March 31, 2021, the Hospital's estimate of the exposure to interest rate risk and the effect on its net assets is not material. The Hospital has no exposure to interest rate risk arising from its long-term debt as the debt has a fixed interest rate.

- Other price risk

Other price risk refers to the risk that 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 interest rate risk). 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 \$nil.

Credit risk

The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are 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, as they are considered fully collectible:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	156	72	64	81

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 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.

Women's College Hospital
Notes to Consolidated Financial Statements
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(in thousands of dollars)

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

	Up to 1 year \$	1 year to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	24,949	-	-	24,949
Long-term debt	8,001	30,904	118,241	157,146
	<u>32,950</u>	<u>30,904</u>	<u>118,241</u>	<u>182,095</u>