

Financial Statements of

**HOLLAND BLOORVIEW KIDS
REHABILITATION HOSPITAL**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Holland Bloorview Kids Rehabilitation Hospital

Report on the Financial Statements

Opinion

We have audited the financial statements of Holland Bloorview Kids Rehabilitation Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of revenue and expenses 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, 2022, and its results of operations, its changes in net assets, its 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' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



Page 3

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

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

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 horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 15, 2022

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Financial Position

March 31, 2022, with comparative information for 2021

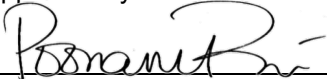
	2022	2021
Assets		
Current assets:		
Cash	\$ 8,241,281	\$ 7,344,386
Accounts receivable (note 2)	2,482,327	3,307,333
Due from the Ministry of Health (notes 2 and 16)	1,381,660	4,072,818
Due from related parties (note 10)	1,287,988	1,771,531
Other assets	256,201	180,174
	<u>13,649,457</u>	<u>16,676,242</u>
Investments (note 3)	54,387,102	49,515,752
Property, plant and equipment (note 4)	80,848,587	75,549,913
	<u>\$ 148,885,146</u>	<u>\$ 141,741,907</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 14,078,955	\$ 15,617,219
Due to the Ministry of Health	2,190,537	1,884,129
	<u>16,269,492</u>	<u>17,501,348</u>
Revolving term loan (note 6)	6,269,222	–
Deferred contributions (note 7)	10,935,389	10,265,017
Deferred capital grants and donations - spent and unamortized (notes 8 and 16)	68,827,721	64,554,606
Deferred capital grants and donations - unspent (note 9)	15,429,807	15,437,303
	<u>117,731,631</u>	<u>107,758,274</u>
Net assets:		
Accumulated operating surplus	27,753,487	27,422,921
Accumulated remeasurement gains	3,400,028	6,560,712
	<u>31,153,515</u>	<u>33,983,633</u>
	<u>\$ 148,885,146</u>	<u>\$ 141,741,907</u>

See accompanying notes to financial statements.

Approved by the Board of Trustees:


 Poonam Puri
 Chair, Board of Trustees

Trustee


 Allyson Whyte Nowak
 Treasurer, Board of Trustees

Trustee

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Revenue and Expenses

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Province of Ontario (note 16)	\$ 68,441,962	\$ 73,272,317
Client services and other	13,726,869	10,959,438
Foundation grants and donations (note 10)	8,740,200	9,020,889
Other operating grants	8,179,726	6,394,356
Investment income - net	3,498,341	1,971,490
Amortization of deferred capital grants and donations	1,505,574	1,371,680
One-time working funds funding (note 17)	–	1,599,500
	104,092,672	104,589,670
Expenses:		
Salaries and benefits (note 11)	82,226,801	81,380,623
Supplies and other (note 12)	18,639,524	17,673,858
Amortization of furniture and equipment	2,576,219	2,734,033
	103,442,544	101,788,514
Excess of revenue over expenses before undernoted items	650,128	2,801,156
Amortization of deferred capital grants and donations related to building and building equipment	4,249,680	3,631,838
Amortization of building and building equipment	(4,599,596)	(4,284,988)
Excess of revenue over expenses	\$ 300,212	\$ 2,148,006

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

					2022	2021
	Investment in property, plant and equipment (note 8)	Restricted for endowments	Restricted for property and building redevelopment	Unrestricted	Total	Total
Balance, beginning of year	\$ 10,995,307	\$ 1,757,150	\$ 4,081,708	\$ 10,588,756	\$ 27,422,921	\$ 25,264,300
Excess (deficiency) of revenue over expenses before undernoted items	(1,070,645)	—	—	1,720,773	650,128	2,801,156
Amortization of building and building equipment	(4,599,596)	—	—	—	(4,599,596)	(4,284,988)
Amortization of deferred capital grants and donations related to building and building equipment	4,249,680	—	—	—	4,249,680	3,631,838
Excess (deficiency) of revenue over expenses for the year	(1,420,561)	—	—	1,720,773	300,212	2,148,006
Net purchase of property, plant and equipment	12,474,489	—	—	(12,474,489)	—	—
Amounts funded by deferred capital grants and donations	(10,028,369)	—	—	10,028,369	—	—
Net change in investment in property, plant and equipment	2,446,120	—	—	(2,446,120)	—	—
Contributions - net of expenses	—	30,354	—	—	30,354	10,615
Balance, end of year	\$ 12,020,866	\$ 1,787,504	\$ 4,081,708	\$ 9,863,409	\$ 27,753,487	\$ 27,422,921

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2022, with comparative information for 2021

	2022					2021	
	Investment in property, plant and equipment (note 8)	Restricted for endowments	Restricted for property and building redevelopment	Unrestricted	Total	Total	
Accumulated remeasurement gains, beginning of year	\$ —	\$ 499,320	\$ 1,806,516	\$ 4,254,876	\$ 6,560,712	\$ 1,782,082	
Unrealized gains (losses)	—	(83,173)	(355,863)	(2,721,648)	(3,160,684)	4,778,630	
Accumulated remeasurement gains, end of year	\$ —	\$ 416,147	\$ 1,450,653	\$ 1,533,228	\$ 3,400,028	\$ 6,560,712	
Summary by fund:							
Accumulated operating surplus	\$ 12,020,866	\$ 1,787,504	\$ 4,081,708	\$ 9,863,409	\$ 27,753,487	\$ 27,422,921	
Accumulated remeasurement gains	—	416,147	1,450,653	1,533,228	3,400,028	6,560,712	
	\$ 12,020,866	\$ 2,203,651	\$ 5,532,361	\$ 11,396,637	\$ 31,153,515	\$ 33,983,633	

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 300,212	\$ 2,148,006
Items not affecting cash:		
Amortization of property, plant and equipment	7,175,815	7,019,021
Amortization of deferred capital grants and donations	(5,755,254)	(5,003,518)
Change in non-cash operating working capital (note 15)	2,691,824	531,390
	4,412,597	4,694,899
Investing activities:		
Purchase of investments - net	(8,039,530)	(6,082,071)
Purchase of property, plant and equipment	(12,474,489)	(6,420,525)
	(20,514,019)	(12,502,596)
Financing activities:		
Capital grants and donations received	10,028,369	6,634,715
Proceeds from revolving term loan	6,269,222	—
Deferred contributions	670,372	2,645,884
Endowment contributions received, net of expenses	30,354	10,615
	16,998,317	9,291,214
Increase in cash	896,895	1,483,517
Cash, beginning of year	7,344,386	5,860,869
Cash, end of year	\$ 8,241,281	\$ 7,344,386

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements

Year ended March 31, 2022

Holland Bloorview Kids Rehabilitation Hospital ("Holland Bloorview", "Hospital") is Canada's largest children's rehabilitation teaching hospital, fully affiliated with the University of Toronto.

Holland Bloorview was incorporated without share capital under the laws of Ontario and is registered as a charitable organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

Under the Health Insurance Act (Ontario) and the Local Health System Integration Act 2006, Holland Bloorview is funded primarily by the Province of Ontario through the Ministry of Health (the "MOH") and in accordance with budget arrangements established by Toronto Central Local Health Integration Network ("TC LHIN"). These financial statements reflect agreed funding arrangements approved by the TC LHIN with respect to the year ended March 31, 2022. Subsequent to Holland Bloorview's signing of the agreements with the TC LHIN, the province's LHINs have amalgamated and are now part of Ontario Health.

1. Significant accounting policies:

(a) Basis of accounting and presentation:

The 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. The financial statements reflect the total services of Holland Bloorview, which include clinical, educational and research activities for children and youth with disabilities. The financial statements do not include the assets, liabilities, operations and cash flows of Holland Bloorview Kids Rehabilitation Hospital Foundation (the "Foundation"), which is a separate entity.

(b) Revenue recognition:

Holland Bloorview follows the deferral method of accounting for contributions.

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting year are accrued to offset incurred expenses.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions other than endowment contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

Endowment contributions are recognized as direct increases in endowment net assets when received.

Revenue from all other sources is recognized when the services are provided.

Investments comprise funds invested in externally managed balanced pooled funds. Income distributions from these pooled funds and realized gains and losses, net of fees are recognized in investment income in the statement of revenue and expenses.

Investment income, both realized and unrealized, is attributed to unspent deferred capital grants where there is either an implicit or explicit restriction on income.

(c) Property, plant and equipment:

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Costs incurred that substantially increase the useful lives of existing property, plant and equipment are capitalized. Costs to maintain normal operating efficiency are expensed as incurred.

Property, plant and equipment are amortized on a straight-line basis over their useful lives as follows:

Building and building improvements	40 years
Building equipment	5 - 40 years
Furniture and equipment	5 - 20 years
Software	5 years

In accordance with PSAS, Holland Bloorview reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss is measured as the extent to which the carrying amount exceeds the fair value.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

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 represents expenditures incurred for projects currently underway. Upon completion, the related construction in progress will be transferred to the appropriate capital asset category and amortization will commence.

(d) Deferred capital grants and donations:

Capital grants and donations received as funding for property, plant and equipment additions are initially deferred and realized in revenue on the same basis as the amortization of the cost of the related property, plant and equipment.

(e) Restricted net assets for endowment:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions, stipulating that the principal be maintained intact. Investment income earned on resources restricted for endowments is reported in the restricted for endowments fund or the unrestricted fund, depending on the nature of any restrictions imposed by contributors of funds for endowment.

(f) Contributed services and materials:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments, such as cash and investments are reported at fair value. All other financial instruments, including accounts receivable, due from the MOH, due from related parties, accounts payable and accrued liabilities and due to the MOH, are recorded at amortized cost.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenue and expenses.

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

The standards require Holland Bloorview to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

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

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year.

Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable and property, plant and equipment. Actual results could differ from those estimates.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Accounts receivable:

	2022	2021
Accounts receivable	\$ 2,641,769	\$ 3,431,480
Less allowance for doubtful accounts	159,442	124,147
	<u>\$ 2,482,327</u>	<u>\$ 3,307,333</u>

	2022	2021
Due from MOH	\$ 1,452,241	\$ 5,883,807
Less allowance for doubtful accounts	70,581	1,810,989
	<u>\$ 1,381,660</u>	<u>\$ 4,072,818</u>

3. Investments:

Investments are carried at fair value and consist of the following:

2022	Level 1	Level 2	Level 3	Total
Balanced Pooled Funds	\$ 54,297,102	\$ –	\$ 90,000	\$ 54,387,102

2021	Level 1	Level 2	Level 3	Total
Balanced Pooled Funds	\$ 49,350,752	\$ –	\$ 165,000	\$ 49,515,752

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Property, plant and equipment:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 138,478	\$ –	\$ 138,478	\$ 138,478
Building	88,432,562	34,992,828	53,439,734	58,390,370
Building equipment	28,659,786	19,527,246	9,132,540	9,051,102
Furniture and equipment	31,059,087	26,934,221	4,124,866	5,298,575
Software	12,144,131	9,923,915	2,220,216	2,671,388
Construction in progress	11,792,753	–	11,792,753	–
	\$ 172,226,797	\$ 91,378,210	\$ 80,848,587	\$ 75,549,913

During the year, Holland Bloorview wrote off an amount of \$254,548 (2021 - nil) of fully amortized assets.

In connection with the redevelopment project completed in 2007, there remains \$713,376 (2021 - \$713,376) in outstanding letters of credit as at March 31, 2022.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,165,122 (2021 - \$411,470), which includes amounts payable for harmonized sales tax and payroll-related taxes.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Revolving term loan:

During the year, Holland Bloorview signed a Commitment Letter with a Canadian chartered bank. Under the terms of the Commitment Letter, Holland Bloorview has the following credit facilities available:

- (a) Operating line of credit of \$2,000,000 which bears interest at the bank's prime rate and is payable on demand.
- (b) Revolving term loan of \$16,000,000 which bears interest at the bank's prime rate less 0.75% and is repayable on December 31, 2022.
- (c) Non-revolving take out loan of \$16,000,000 which will refinance the revolving term loan in (b). The loan will bear interest at the bank's prime rate less 0.75% and will be repayable in equal monthly principal installments of \$133,333 plus interest and the term of the loan is up to December 31, 2027.

The facilities are secured by a general security agreement over all the assets of the borrower. As at March 31, 2022 \$6,269,222 was drawn on the revolving term loan. As per the terms of the Commitment Letter, the revolving term loan will be refinanced to a non-revolving take out loan in fiscal 2023.

7. Deferred contributions:

Deferred contributions represent unspent externally restricted grants and donations for research and other purposes.

	2022	2021
Balance, beginning of year	\$ 10,265,017	\$ 7,619,133
Amounts received or receivable	19,808,764	28,840,152
Amounts recognized as revenue	(19,138,392)	(26,194,268)
Balance, end of year	\$ 10,935,389	\$ 10,265,017

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Deferred capital grants and donations - spent and unamortized:

Deferred capital grants and donations represent the spent and unamortized amount for the purchase of property, plant and equipment. The amortization of capital grants and donations is recorded as revenue in the statement of revenue and expenses.

	2022	2021
Balance, beginning of year	\$ 64,554,606	\$ 62,923,409
Capital grants and donations received	10,028,369	6,634,715
Amortization of deferred capital grants and donations	(5,755,254)	(5,003,518)
Balance, end of year	\$ 68,827,721	\$ 64,554,606

9. Deferred capital grants and donations - unspent:

	2022	2021
Balance, beginning of year	\$ 15,437,303	\$ 13,222,458
Unrealized remeasurement gain (loss)	(7,496)	2,214,845
Balance, end of year	\$ 15,429,807	\$ 15,437,303

Cumulative remeasurement gains as at March 31, 2022 totalled \$3,593,675 (2021 - \$3,601,171).

10. Related party transactions:

The Foundation is an independent corporation without share capital which has its own board of directors. The Foundation was established to raise funds to support Holland Bloorview and its programs and capital needs. The Foundation is responsible for fundraising activities carried out on behalf of Holland Bloorview and donations or bequests made to Holland Bloorview are recorded as revenue by the Foundation.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Related party transactions (continued):

During the year, the Foundation granted \$16,951,564 (2021 - \$13,809,442) to Holland Bloorview to fund programs and capital expenditures. The balance due from the Foundation of \$1,287,988 (2021 - \$1,771,531) comprises grants payable from the Foundation and operating expenses paid by Holland Bloorview on behalf of the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

During the year, the Foundation committed to \$11,000,000 in donations over the next 10 years to fund the Bloorview Research Institute growth strategy which includes the building expansion.

11. Pension plan:

Substantially all of the employees at Holland Bloorview are members of the Healthcare of Ontario Pension Plan, which is a defined benefit multi-employer contributory pension plan. The plan is accounted for as a defined contribution plan. Employer contributions made to the plan during the year by Holland Bloorview amounted to \$5,351,108 (2021 - \$5,205,536). These amounts are included in salaries and benefits expenses in the statement of revenue and expenses. The most recent actuarial valuation of the plan as at December 31, 2018 indicated the plan was fully funded on a going concern basis.

12. Centralized equipment pool:

Holland Bloorview is responsible for administering the provincial program that provides equipment on loan or lease as communication aids for people with disabilities. This equipment is accounted for in a manner similar to the treatment of prescription drugs and is expensed when prescribed. The amount charged to supplies and other expenses in the statement of revenue and expenses for the purchase of equipment for lease is \$2,788,164 (2021 - \$2,791,453). These costs are funded by the MOH.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. Contingent liability:

Holland Bloorview is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and, therefore, has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the pool for the years in which they were a member. No such assessments have been made for the year ended March 31, 2022.

14. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. Holland Bloorview 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.

Holland Bloorview assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure of credit risk to Holland Bloorview at March 31, 2022 is the carrying value of these assets.

(b) Market risk:

Market risk is the risk that the fair value of financial instruments or future cash flows associated with financial instruments fluctuate because of changes in market prices other than those arising from interest rate risk. Holland Bloorview is exposed to market risk through its investments.

As at March 31, 2022, Holland Bloorview's total exposure to other market risk is related to the fair value of their investments in the amount of \$54,387,102. Holland Bloorview's estimate of the effect on net assets as at March 31, 2022 due to a 5% increase or decrease in the fair value of investments, with all other variables held constant, would approximately amount to an increase or decrease of \$2,719,355. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Financial risks and concentration of risk (continued):

(c) 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. Holland Bloorview is exposed to interest rate risk as a result of cash balances. As at March 31, 2022, Holland Bloorview's estimate of the exposure to interest rate risk and the effect on net assets is not material.

15. Statement of cash flows:

Change in non-cash operating working capital related to operations is as follows:

	2022	2021
Due from the MOH	\$ 2,691,158	\$ (3,353,767)
Accounts receivable	825,006	441,036
Other assets	(76,027)	(22,973)
Due from related parties	483,543	2,809,090
Accounts payable and accrued liabilities	(1,538,264)	(787,350)
Due to the MOH	306,408	1,445,354
	<u>\$ 2,691,824</u>	<u>\$ 531,390</u>

16. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to Holland Bloorview, 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 MOH 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.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

16. Ministry of Health pandemic funding (continued):

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenue 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 MOH. However, given the potential for future changes to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 based on the lower end of the range. Any adjustments to management's estimate of MOH revenue will be reflected in the Hospital's financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

	2022	2021
Funding for incremental COVID-19 operating expenses	\$ 1,264,535	\$ 4,346,168
Funding for temporary pandemic pay	34,446	724,252
Funding for COVID-19 assessment center	295,280	126,160
Funding for revenue losses resulting from COVID-19	—	2,711,800
	1,594,261	7,908,380
Less provision for future changes to funding programs	63,227	1,787,898
	\$ 1,531,034	\$ 6,120,482

In addition to the above, the Hospital has also recognized nil (2021 - \$97,900) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

17. Ministry of Health working capital funding:

In March 2021, the Hospital was advised that it was eligible for one-time funding to address its working capital deficit. The Hospital was eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Hospital's working capital deficit and is not to be used for operating purposes. As at March 31, 2021, Holland Bloorview recognized \$1,599,500 of working capital funding.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2022

18. COVID-19 impacts:

In response to COVID-19 and consistent with guidance provided by the MOH 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 2022 fiscal 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.