

Financial Statements of

**HOLLAND BLOORVIEW KIDS
REHABILITATION HOSPITAL**

And Independent Auditor's Report thereon

Year ended March 31, 2023



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 21, 2023

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Revenue and Expenses

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Province of Ontario (note 16)	\$ 74,579,337	\$ 68,441,962
Client services and other	15,778,031	15,232,443
Foundation grants and donations (note 10)	11,285,833	8,740,200
Other operating grants	8,519,122	8,179,726
Investment income - net	5,838,862	3,498,341
	116,001,185	104,092,672
Expenses:		
Salaries and benefits (notes 11 and 16)	89,901,601	82,226,801
Supplies and other (note 12)	23,077,811	18,639,524
Amortization of furniture and equipment	2,767,632	2,576,219
	115,747,044	103,442,544
Excess of revenue over expenses before undernoted items	254,141	650,128
Amortization of deferred capital grants and donations related to building and building equipment	5,031,228	4,249,680
Amortization of building and building equipment	(4,409,457)	(4,599,596)
Excess of revenue over expenses	\$ 875,912	\$ 300,212

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

					2023	2022
	Investment in property, plant and equipment (note 8)	Restricted for endowments	Restricted for property and building redevelopment	Unrestricted	Total	Total
Balance, beginning of year	\$ 12,020,866	\$ 1,787,504	\$ 4,081,708	\$ 9,863,409	\$ 27,753,487	\$ 27,422,921
Excess (deficiency) of revenue over expenses before undernoted items	(2,936,561)	—	—	3,190,702	254,141	650,128
Amortization of building and building equipment	(4,409,457)	—	—	—	(4,409,457)	(4,599,596)
Amortization of deferred capital grants and donations related to building and building equipment	5,031,228	—	—	—	5,031,228	4,249,680
Excess (deficiency) of revenue over expenses for the year	(2,314,790)	—	—	3,190,702	875,912	300,212
Net purchase of property, plant and equipment	9,927,818	—	—	(9,927,818)	—	—
Amounts funded by deferred capital grants and donations	(3,496,462)	—	—	3,496,462	—	—
Net change in investment in property, plant and equipment	6,431,356	—	—	(6,431,356)	—	—
Endowment contributions, (net of expenses)	—	62,641	—	—	62,641	30,354
Balance, end of year	\$ 16,137,432	\$ 1,850,145	\$ 4,081,708	\$ 6,622,755	\$ 28,692,040	\$ 27,753,487

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022

					2023	2022
	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	\$ —	\$ 416,147	\$ 1,450,653	\$ 1,533,228	\$ 3,400,028	\$ 6,560,712
Unrealized gains (losses)	—	(89,075)	(411,269)	1,255,754	755,410	(3,160,684)
Realized gains reclassified to the statement of revenue and expenses	—	(309,307)	(942,165)	(2,546,765)	(3,798,237)	—
Accumulated remeasurement gains, end of year	\$ —	\$ 17,765	\$ 97,219	\$ 242,217	\$ 357,201	\$ 3,400,028
Summary by fund:						
Accumulated operating surplus	\$ 16,137,432	\$ 1,850,145	\$ 4,081,708	\$ 6,622,755	\$ 28,692,040	\$ 27,753,487
Accumulated remeasurement gains	—	17,765	97,219	242,217	357,201	3,400,028
	\$ 16,137,432	\$ 1,867,910	\$ 4,178,927	\$ 6,864,972	\$ 29,049,241	\$ 31,153,515

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 875,912	\$ 300,212
Items not affecting cash:		
Amortization of property, plant and equipment	7,177,089	7,175,815
Amortization of deferred capital grants and donations	(4,862,299)	(5,755,254)
Net realized gain on portfolio investments	(3,798,237)	—
Change in non-cash operating working capital (note 15)	(244,360)	2,691,824
	(851,895)	4,412,597
Investing activities:		
Purchase of investments, net	(4,763,446)	(8,039,530)
Purchase of property, plant and equipment	(9,927,818)	(12,474,489)
	(14,691,264)	(20,514,019)
Financing activities:		
Capital grants and donations received	5,607,552	10,028,369
Proceeds from revolving term loan	5,156,206	6,269,222
Deferred contributions	5,346,459	670,372
Endowment contributions received, net of expenses	62,641	30,354
	16,172,858	16,998,317
Increase in cash	629,699	896,895
Cash, beginning of year	8,241,281	7,344,386
Cash, end of year	\$ 8,870,980	\$ 8,241,281

See accompanying notes to financial statements.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements

Year ended March 31, 2023

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, 2023. 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.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

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.

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, 2023

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, 2023

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, 2023

2. Accounts receivable:

	2023	2022
Accounts receivable	\$ 2,800,111	\$ 2,641,769
Less allowance for doubtful accounts	502,925	159,442
	<u>\$ 2,297,186</u>	<u>\$ 2,482,327</u>

	2023	2022
Due from MOH	\$ 6,357,023	\$ 1,452,241
Less allowance for doubtful accounts	8,260	70,581
	<u>\$ 6,348,763</u>	<u>\$ 1,381,660</u>

3. Investments:

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

2023	Level 1	Level 2	Level 3	Total
Balanced Pooled Funds	\$ 56,352,212	\$ –	\$ 90,000	\$ 56,442,212

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

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Property, plant and equipment:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 138,478	\$ –	\$ 138,478	\$ 138,478
Building	87,466,754	37,125,005	50,341,749	53,439,734
Building equipment	28,681,914	21,839,699	6,842,215	9,132,540
Furniture and equipment	33,391,766	27,337,893	6,053,873	4,124,866
Software	7,567,542	5,950,912	1,616,630	2,220,216
Construction in progress	18,606,371	–	18,606,371	11,792,753
	\$ 175,852,825	\$ 92,253,509	\$ 83,599,316	\$ 80,848,587

During the year, Holland Bloorview wrote off nil (2022 - \$254,548) of fully amortized assets.

In connection with the redevelopment project completed in 2007, there remains \$713,376 (2022 - \$713,376) in outstanding letters of credit as at March 31, 2023.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,242,459 (2022 - \$1,165,122), which includes amounts payable for harmonized sales tax and payroll-related taxes.

6. Revolving term loan:

During 2022, 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 July 31, 2023.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Revolving term loan (continued):

(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, 2023, \$11,425,428 (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 2024.

7. Deferred contributions:

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

	2023	2022
Balance, beginning of year	\$ 10,935,389	\$ 10,265,017
Amounts received or receivable	29,938,268	19,808,764
Amounts recognized as revenue	(24,591,809)	(19,138,392)
Balance, end of year	\$ 16,281,848	\$ 10,935,389

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.

	2023	2022
Balance, beginning of year	\$ 68,827,721	\$ 64,554,606
Capital grants and donations received	3,496,462	10,028,369
Amortization of deferred capital grants and donations	(4,862,299)	(5,755,254)
Balance, end of year	\$ 67,461,884	\$ 68,827,721

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Deferred capital grants and donations - unspent:

	2023	2022
Balance, beginning of year	\$ 15,429,807	\$ 15,437,303
Capital grants and donations received	2,111,090	—
Unrealized remeasurement loss	(3,463,746)	(7,496)
Balance, end of year	\$ 14,077,151	\$ 15,429,807

Cumulative remeasurement gains as at March 31, 2023 totalled \$129,929 (2022 - \$3,593,675).

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.

During the year, the Foundation granted \$12,658,976 (2022 - \$16,951,564) to Holland Bloorview to fund programs and capital expenditures. The balance due from the Foundation of \$1,175,231 (2022 - \$1,287,988) 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 fiscal 2022, 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.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

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 \$5,606,533 (2022 - \$5,351,108). 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 \$2,799,500 (2022 - \$2,788,164). These costs are funded by the MOH.

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, 2023.

14. Financial risks and concentration of risk:

The Hospital is exposed to a variety of financial risks, including credit risk, market risk, interest rate 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 sinking fund investments, floating rate debt, which are regularly monitored.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

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

(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, 2023 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, 2023, Holland Bloorview's total exposure to other market risk is related to the fair value of their investments in the amount of \$56,442,212. Holland Bloorview's estimate of the effect on net assets as at March 31, 2023 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 \$2,822,111. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(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, 2023, Holland Bloorview's estimate of the exposure to interest rate risk and the effect on net assets is not material.

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

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

(d) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The Hospital has recorded a liability at March 31, 2023 for the estimated impact of retroactive salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per annum for three years. It remains uncertain whether the Ministry of Health will directly fund this expense. The Hospital has sufficient financial arrangements in place to settle this one-time obligation in the short-term.

15. Statement of cash flows:

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

	2023	2022
Due from the Province of Ontario	\$ (4,967,103)	\$ 2,691,158
Accounts receivable	185,141	825,006
Other assets	(175,453)	(76,027)
Due from related parties	112,757	483,543
Accounts payable and accrued liabilities	3,689,229	(1,538,264)
Due to the Province of Ontario	911,069	306,408
	<u>\$ (244,360)</u>	<u>\$ 2,691,824</u>

HOLLAND BLOORVIEW KIDS REHABILITATION HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Impact of Bill 124:

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities for both unionized and non-unionized employees, based on management's estimate of settlement amounts. Currently, this settlement has been communicated to all employees.

17. Comparative information:

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