Financial Statements of

HÔTEL-DIEU GRACE HEALTHCARE

And Independent Auditors' Report thereon

Year ended March 31, 2020

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor Ontario N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251-3530

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the financial statements of Hôtel-Dieu Grace Healthcare (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of remeasurement of gains for the year then ended
- the statement of cash flows for the year then ended
- and the notes and supplementary schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
May 20, 2020

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

(in thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash	$ 15,137	$ 16,444
Short-term investments - restricted (note 3)	5,932	4,785
Accounts receivable (note 2)	3,294	3,165
Inventories	294	252
Prepaid expenses and deposits	663	1,081
	25,320	25,727
Restricted cash and investments (note 3)	20,923	22,369
Capital assets, net (note 4)	224,129	224,462
	$ 270,372	$ 272,558
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 26,714	$ 25,361
Current portion of capital lease obligations (note 13)	163	163
	26,877	25,524
Long-term liabilities:		
Term loan (note 6)	5,250	-
Interest rate swap (note 6)	608	-
Accrued sick leave liability	2,472	2,516
Capital lease obligations (note 13)	395	558
Accrued benefit liability (note 7)	9,897	9,855
Deferred capital contributions (note 8)	180,355	185,248
	225,854	223,701
Net assets:		
Unrestricted	(26,876)	(24,134)
Contributed surplus - Prince Road building (note 18)	6,623	6,623
Invested in capital assets (note 10 (a))	38,524	39,214
Board restricted	26,123	25,663
	44,394	47,366
Accumulated remeasurement gains	124	1,491
	44,518	48,857
Commitments and contingencies (notes 12, 14, 16 and 17)		
Subsequent event (note 19)		
	$ 270,372	$ 272,558

See accompanying notes to financial statements.

On behalf of the Corporation

_______________ Member of the Corporation

_______________ Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

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

	2020	2019
Revenue:		
Ontario Ministry of Health	$ 102,386	$ 91,634
Ontario Ministry of Children, Community and Social Services	4,585	-
Ontario Ministry of Children and Youth Services	-	13,128
Other patient revenue	2,193	2,492
Other revenue and recoveries	4,385	4,372
Grant amortization - equipment	445	321
	113,994	111,947
Expenses:		
Salaries and purchased services	69,173	67,283
Employee benefits	17,120	16,412
Medical staff	2,839	2,717
Medical and surgical supplies	761	750
Drugs and medical gases	1,025	945
Supplies and facilities	21,085	20,479
Amortization of capital assets - equipment	1,075	1,022
	113,078	109,608
Excess of revenue over expenses for the year before other items	916	2,339
Other items - one-time (note 15)	(2,125)	(566)
Excess (deficiency) of revenue over expenses for the year per Ministry of Health purposes	(1,209)	1,773
Interest, net building and land improvements amortization	(1,763)	(1,765)
Excess (deficiency) of revenue over expenses for the year	$ (2,972)	$ 8

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

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

2020		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(24,134)	6,623	39,214	25,663	47,366
Excess (deficiency) of revenue over expenses for the year (note 10 (b))		(579)	-	(2,393)	-	(2,972)
Invested in capital assets (note 10 (b))		(1,703)	-	1,703	-	-
Net transfer to (from) Board restricted from unrestricted		(460)	-	-	460	-
Balance, end of year	$	(26,876)	6,623	38,524	26,123	44,394

2019		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(23,790)	6,623	39,404	25,121	47,358
Excess (deficiency) of revenue over expenses for the year (note 10 (b))		2,474	-	(2,466)	-	8
Invested in capital assets (note 10 (b))		(2,276)	-	2,276	-	-
Net transfer to (from) Board restricted from unrestricted		(542)	-	-	542	-
Balance, end of year	$	(24,134)	6,623	39,214	25,663	47,366

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

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

	2020	2019
Operating activities:		
Excess (deficiency) of revenue over expenses for the year	$ (2,972)	$ 8
Add (deduct) non-cash items:		
Amortization of capital assets	8,867	8,772
Amortization of deferred capital contributions	(6,474)	(6,306)
Loss on disposal of capital assets	-	12
Unrealized gain (loss) on investments	(759)	854
Change in accrued benefit liability	42	40
	(1,296)	3,380
Net change in non-cash working capital balances	1,556	(1,661)
	260	1,719
Investing activities:		
Purchase of capital assets	(8,533)	(3,668)
Proceeds on disposal of capital assets	-	1
Deferred capital contributions received	1,580	1,380
	(6,953)	(2,287)
Financing activities:		
Proceeds from term loan	5,250	-
Proceeds from capital lease obligations	-	816
Repayment of capital lease obligations	(163)	(95)
	5,087	721
Investing activities:		
Net decrease (increase) in restricted cash and investments	299	(1,396)
Net decrease in cash during the year	(1,307)	(1,243)
Cash beginning of year	16,444	17,687
Cash end of year	$ 15,137	$ 16,444

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

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

		2020		2019
Accumulated remeasurement gains, beginning of year	$	1,491	$	637
Unrealized gains (losses) attributable to:				
Long-term investments		(759)		854
Interest rate swap		(608)		-
Accumulated remeasurement gains, end of year	$	124	$	1,491

See accompanying notes to financial statements.

Organizational Structure

Hôtel-Dieu Grace Hospital was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1 2013, the Hospital and Windsor Regional Hospital ("WRH") completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH" or the "Hospital").

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding:

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health as well as the Ministry of Children, Community and Social Services. Both are referred to as "the Ministry". Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Hospital funding is provided primarily through three funding streams; namely Health Based Allocation Model (HBAM), Global Funding and Quality Based Procedures (QBP) funding. Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. Funding received from the Ministry of Children, Community and Social Services is to be returned if unspent by the end of the fiscal year. Other Vote funding is also to be returned if unspent by the end of the fiscal year. As well, the Ministry's stated policy is that deficits incurred by HDGH will not be funded.

(b) Inventory:

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

1. Significant accounting policies (continued):

(c) Revenue recognition:

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Revenue from the Ministry, preferred accommodations, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

A full year's amortization is recorded in the year of acquisition. In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay:

Vacation pay entitlements are charged to income on an accrual basis, with the exception of nonunion staff who are paid as the time is taken.

1. Significant accounting policies (continued):

(g) Defined benefit multi-employer pension plan:

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

(h) Accrued post employment benefits:

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 13 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Curtailment gains or losses are immediately recognized as either a reduction or increase to employee future benefit expense.

(i) Contributed services:

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

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities and certain other accrued liabilities. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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

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

Long-term debt is recorded at cost.

The Standards require an organization 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 their fair value of the assets and liabilities.

(in thousands of dollars)

2. Accounts receivable:

		2020		2019
Ontario Ministry of Health – operating and capital grants	$	1,487	$	1,487
Ontario Ministry of Children and Youth Services		–		45
Ministry of Children, Community and Social Services		84		–
WRH		105		91
Other		1,898		1,806
		3,574		3,429
Less allowance for doubtful accounts		(280)		(264)
	$	3,294	$	3,165

3. Board restricted net assets:

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

		2020		2019
Board restricted net assets, beginning of year	$	27,154	$	25,758
Add:				
Interest and realized gains		460		542
Unrealized gain (loss) on investments		(759)		854
Board restricted net assets, end of year	$	26,855	$	27,154

The Board restricted net assets is comprised of:

		2020		2019
Capital grants	$	6,906	$	6,784
Unspent capital donations		1		1
Restricted cash reserves		19,216		18,878
Unrealized gain on investments		732		1,491
Board restricted net assets, end of year	$	26,855	$	27,154

(in thousands of dollars)

3. Board restricted net assets (continued):

The Board restricted net assets includes the following investments:

		2020		2019
Cash on deposit and short term investments	$	5,932	$	4,785
Provincial, corporate, Government of Canada bonds (yields between 0.75% and 6.47%, maturing between Sept. 29, 2021 to May 18, 2077)		10,141		10,436
Other investments consisting of a professionally managed portfolio of equities		10,685		11,834
Accrued interest		97		99
	$	26,855	$	27,154

4. Capital assets:

2020		Cost		Accumulated amortization		Net book value
Land and land improvements	$	6,751	$	1,076	$	5,675
Buildings and building service equipment		302,736		100,820		201,916
Equipment		11,235		6,808		4,427
Construction-in-progress		12,111		–		12,111
	$	332,833	$	108,704	$	224,129

2019		Cost		Accumulated amortization		Net book value
Land and land improvements	$	6,751	$	1,074	$	5,677
Buildings and building service equipment		299,848		93,031		206,817
Equipment		10,516		5,803		4,713
Construction-in-progress		7,255		–		7,255
	$	324,370	$	99,908	$	224,462

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $1,490 (2019 - $1,465), which include amounts for payroll related matters.

(in thousands of dollars)

6. Term loan:

	2020	2019
Term loan payable in average quarterly instalments of $135 commencing July 26, 2021, bearing interest of 2.24% and due September 2035	$ 5,250	$ –

In 2020, HDGH entered into a term loan agreement for a total of $7,000 with the Royal Bank of Canada to finance a major building infrastructure project. The final draw was completed subsequent to year-end. Once completed, the projects chosen are projected to generate energy savings. The energy savings will be utilized as the cash flow for the loan repayment over the next 16 years. Additional information concerning the project is provided in note 21.

The Hospital has entered into interest rate derivative agreements to manage the volatility of interest rates. The Hospital has converted floating rate debt for fixed rate debt. The fair value of the interest rate swaps of ($608) (2019 - $Nil) has been determined using Level 3 of the fair value hierarchy. The related derivative agreements are in place until the maturity of the debt.

Principal repayments are as follows:

2021	$ Nil
2022	405
2023	522
2023	468
Thereafter	5,605

7. Accrued benefit liability:

HDGH provides post employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation was performed at March 31, 2020.

The significant actuarial assumptions adopted in estimating HDGH’s accrued benefit obligation are as follows:

	2020	2019
Discount rate	3.29%	3.18%
Dental benefits cost escalation	4.55%	4.0%
Medical benefits cost escalation – extended health care	4.1%	6.7%

(in thousands of dollars)

7. Accrued benefit liability (continued):

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2020 is $9,897 (2019 - $9,855) amount is comprised of:

		2020		2019
Accrued benefit obligation:				
Funded balance – deficit, beginning of year	$	8,751	$	8,456
Actuarial losses (gains) during the year		(323)		171
Benefits paid by HDGH during the year		(600)		(572)
Interest		282		289
Current service cost		432		407
Funded balance – deficit, end of year		8,542		8,751
Unamortized actuarial losses		1,355		1,103
Accrued benefit liability, end of year	$	9,897	$	9,854

HDGH's net benefit expense is as follows:

		2020		2018
Current service cost	$	432	$	407
Interest		282		289
Amortization of net actuarial gains		(72)		(84)
	$	642	$	612

(in thousands of dollars)

8. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2020	2019
Deferred capital contributions, beginning of year	$ 185,248	$ 190,174
Add:		
Ministry of Health capital grants received in the year	932	707
HDGH Foundation donation	649	773
	186,829	191,654
Less:		
Amortization of capital contributions	(6,474)	(6,306)
Transfer of donations to HDGH Foundation	–	(100)
Deferred capital contributions, end of year	$ 180,355	$ 185,248

The balance consists of the following:

	2020	2019
Ministry of Health	$ 169,454	$ 173,975
Together in Caring Foundation	7,327	7,707
HDGH Foundation donations	1,383	1,227
Deferred general donations	2,191	2,339
	$ 180,355	$ 185,248

9. Hôtel-Dieu Grace Healthcare Foundation (formerly the Changing Lives Together Foundation) :

HDGH established the Changing Lives Together Foundation on December 11, 2015 whose object is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The Foundation has changed its name to the Hôtel-Dieu Grace Healthcare Foundation ("HDGH Foundation"). The Foundation is independent from HDGH but HDGH does have an economic interest in the Foundation.

In the current year, donations of $Nil were transferred to the Foundation. Donations of $649 were transferred from the Foundation to HDGH. As of year-end, HDGH receivable from the Foundation is $327.

(in thousands of dollars)

10. Net assets invested in capital assets:

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

	2020	2019
Capital assets	$ 224,129	$ 224,462
Less amounts financed by:		
Deferred capital contributions	(180,355)	(185,248)
Term Loan	(5,250)	–
	$ 38,524	$ 39,214

(b) Change in net assets invested in capital assets is calculated as follows:

	2020	2019
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 6,474	$ 6,306
Amortization of capital assets	(8,867)	(8,772)
	(2,393)	(2,466)
Invested in capital assets:		
Purchase of capital assets	8,533	3,668
Disposal of capital assets	–	(12)
Amounts funded by capital grants	(931)	(707)
HDGH Foundation donation (net)	(649)	(673)
Proceeds of term loan	(5,250)	–
	1,703	2,276
Net change in investment in capital assets	$ (690)	$ (190)

11. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to $5,850 (2019 - $5,471). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2019 indicates the plan is fully funded.

(in thousands of dollars)

12. Operating leases:

Under the terms of the various non-capital equipment leases, HDGH is committed to lease payments aggregating approximately as follows:

2021	$	479
2022		290
2023		111
2024		88
2025		17

13. Capital lease obligations:

HDGH has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2021	$	163
2022		163
2023		163
2024		69
Total lease payments		558
Less: current portion of obligations under capital lease		(163)
	$	395

14. Capital commitments:

HDGH has committed to a significant capital project to replace the Health Information System. The total capital commitment for the project is currently estimated to be $9,009. At year end, $1,896 remains committed through purchase orders issued to be paid in the future for the capital component of the project. Included in construction in progress in fixed assets is a project to date capital investment of $2,770. The total cost of the project is currently expected to be $23,986 including one-time implementation costs expected to be incurred prior to go live, as well as ongoing maintenance costs over the life of the contract. The COVID-19 pandemic could have an impact on the costs of this project which is undeterminable at this time.

In addition to the above, HDGH has committed to other capital expenditures of $2,868 which will be incurred over the next fiscal year. Of this amount, $2,569 is payable to Honeywell Limited as part of the ESCO project.

(in thousands of dollars)

15. Other items:

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

	2020	2019
Other one-time revenues	$ 389	$ 382
Ministry of Health	155	6
Termination accruals	(203)	(340)
One-time HIS expenses	(2,466)	(614)
COVID-19 related revenues	566	–
COVID-19 related expenses	(566)	–
	$ (2,125)	$ (566)

16. Contingencies:

Due to the nature of its operations, HDGH is periodically subject to lawsuits in which HDGH is named defendant, as well as subject to grievances and claims or potential claims filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations of HDGH.

On July 1, 1987, a group of health care organizations, (“subscribers”), formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person’s reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

17. Transform:

HDGH, along with the other four hospitals within the Erie St. Clair LHIN, entered into an agreement in 2013 that resulted in the amalgamation of Consolidated Health Information Services and PROcure into a non-share capital, not for-profit corporation named TransForm.

TransForm is a shared services organization that currently provides Information Technology/Information Systems services and purchasing and payments services at rates designated to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated between the five participating organizations based on the provincial government funding provided to each hospital as of the most recent fiscal year. In addition, HDGH contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, HDGH paid $872 (2019 - $894) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, $303 (2019 - $311) was paid for purchasing and payments of services. Also, HDGH paid TSSO $3,874 (2019 - $411) for services and capital purchases related to the HIS Project. The balance payable to TransForm at March 31, 2021 is $461 (2019 - $76) and has been included in accounts payable and accrued liabilities.

The other part of the blended financing is a lease agreement with Macquarie Equipment Finance Ltd. that Transform entered into in 2015-2016. This agreement will expire March 2021. HDGH's portion of the guarantee for this lease is 11.19% for a total of $10. An additional lease agreement with Macquarie Equipment Finance LTD was entered into during fiscal 2016-2017 of which HDGH’s portion of the guarantee is 11.56% for a total of $11. This Lease agreement has various end dates, the latest of which is in 2022. An additional lease agreement with Macquarie Equipment Finance Ltd. was entered into during fiscal 2017-2018 of which HDGH’s portion of the guarantee is 11.03% for a total of $13. This Lease agreement has various end dates, the latest of which is in 2023. During the current fiscal year, HDGH made payments totaling $135 in connection with the above-noted leases.

HDGH also provides a guarantee on the line of credit (held with CIBC) of TSSO for $291.

18. Program re-alignment:

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99-year period for nominal consideration. The long-term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of $6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for 7 years, with option to extend for another 14 years less one day, for nominal consideration. All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

19. Subsequent event:

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

From the declaration of the pandemic to the date of approval of these financial statements, HDGH implemented the following actions in relation to the COVID-19 pandemic:

- Established an Incident Management Response Team (IMRT) to manage and oversee the response to COVID-19;
- Efficient management and conservation of personal protective equipment (PPE);
- Suspension of all visitors to the campus;
- Provision of Family Care Teams and Patient Care Teams to support patients and their families;
- Suspension of all parking fees for staff and visitors for an indeterminate period of time;
- Temporary opening of 40 CMC beds with preparation to open a further 32 beds;
- Revisions to the delivery of a number of outpatient services (including Rehabilitation, Adult Mental Health and Children's Mental Health) in order to create capacity for pandemic response and limit the potential for transmission within the Hospital;
- Acceptance of alternative level of care (ALC) patients from other facilities; and
- Implementation of working from home requirements for certain hospital employees where appropriate.

As a result of these measures, HDGH continues to experience decreases in operating revenues and increases in operating costs. The Ministry has allowed HDGH to redirect revenue from certain funded programs towards COVID-19 related costs incurred during the year ended March 31, 2020, and has also committed to providing additional funding for COVID-19 related operating and capital costs in the subsequent period.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

20. Bank indebtedness:

The Hospital has credit facilities which include a revolving demand facility to $8 Million. The facility bears interest at banker's prime rate less 0.5% (2018 – prime rate less 0.5%). As of March 31, 2020 $Nil (2019 - $Nil) has been withdrawn.

21. ESCO Project:

HDGH has entered into an agreement with Honeywell for capital improvements that are intended to reduce overall energy consumption. Under the terms of the agreement, the Hospital will expend approximately $7 million for capital improvements, with Honeywell providing a guarantee with respect the attainment of annual savings in energy costs as a result of the capital improvements. To the extent that HDGH does not realize the annual savings in energy costs, Honeywell is required to reimburse the Hospital for the differential between the actual savings and the guaranteed level of savings. Where Honeywell is required to reimburse the Hospital for energy savings that fall below the guaranteed amount, it is entitled to a refund of payments made if the level of energy savings in subsequent years exceeds the guaranteed amount. The anticipated energy cost savings will be used, in part, to finance the debt servicing payments associated with HDGH's term loan (see note 6).

HDGH has classified the Honeywell guarantee as a contingent asset on the basis that the amount of future payments from Honeywell, if any, cannot be reasonably determined at this time. To the extent that payments under the guarantee are received, they will be recorded as revenue in the year of receipt.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

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

		Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2020	Total 2019
Revenue:							
Ontario Ministry of Health	$	74,353	9,818	375	17,840	102,386	91,634
Ontario Ministry of Children, Community and Social Services		-	4,585	-	-	4,585	-
Ontario Ministry of Children and Youth Services		-	-	-	-	-	13,128
Other patient revenue		2,145	-	-	48	2,193	2,492
Other revenues and recoveries		4,245	85	-	55	4,385	4,372
Grant amortization		410	22	-	13	445	321
		81,153	14,510	375	17,956	113,994	111,947
Expenses:							
Salaries and purchased services		50,064	7,612	301	11,196	69,173	67,283
Employee benefits		12,445	1,930	44	2,701	17,120	16,412
Medical staff		1,053	-	-	1,786	2,839	2,717
Medical and surgical supplies		746	2	-	13	761	750
Drugs and medical gases		1,025	-	-	-	1,025	945
Supplies and facilities		13,845	4,950	30	2,260	21,085	20,479
Amortization of capital assets		1,059	16	-	-	1,075	1,022
		80,237	14,510	375	17,956	113,078	109,608
Excess of revenue over expenses for the year before other items		916	-	-	-	916	2,339
Other items (note 15)		(2,125)	-	-	-	(2,125)	(566)
Excess (deficiency) of revenue over expenses for the year per Ministry of Health purposes		(1,209)	-	-	-	(1,209)	1,773
Interest, net building and land improvements amortization		(1,763)	-	-	-	(1,763)	(1,765)
Excess (deficiency) of revenue over expenses for the year	$	(2,972)	-	-	-	(2,972)	8