

Financial Statements of

**ROYAL OTTAWA HEALTH
CARE GROUP**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Royal Ottawa Health Care Group

Opinion

We have audited the financial statements of the Royal Ottawa Health Care Group (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of rereasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its changes in fund balances, its cash flows, and its rereasurement gains and losses 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 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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 24, 2021

ROYAL OTTAWA HEALTH CARE GROUP

Financial Statements

Year ended March 31, 2021

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ROYAL OTTAWA HEALTH CARE GROUP

Statement of Financial Position

March 31, 2021, with comparative information for 2020

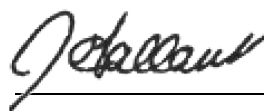
	2021	2020
Assets		
Current assets:		
Cash	\$ 8,450,894	\$ 7,813,189
Short-term investments (note 3(a))	29,134,604	24,528,917
Accounts receivable (note 4)	1,811,805	2,482,471
Receivable from Provinces and Territories	16,719,721	1,792,047
Due from related entities (note 5)	1,058,219	965,008
Inventories	546,555	549,416
Prepaid expenses	3,137,420	3,150,514
	<u>60,859,218</u>	<u>41,281,562</u>
Restricted investments - building reserves (note 3(b))	16,939,442	16,636,613
Capital assets (note 6)	149,353,771	156,191,611
	<u>\$ 227,152,431</u>	<u>\$ 214,109,786</u>
Liabilities and Fund Balances		
Current liabilities:		
Payable to the Province of Ontario	\$ 19,959,368	\$ 16,764,999
Accounts payable and accrued liabilities	27,836,653	21,898,978
Due to related entities (note 5)	67,798	2,741
Advance payments for designated projects	1,179,929	993,815
Current portion of deferred revenue	2,524,924	1,828,959
Scheduled cash repayments of loans (note 7)	661,421	934,299
Current portion of capital lease obligation (note 7)	9,578,590	8,974,802
Current liabilities before callable debt	<u>61,808,683</u>	<u>51,398,593</u>
Callable debt (note 7)	2,582,575	3,244,042
	<u>64,391,258</u>	<u>54,642,635</u>
Long-term debt (note 7)	62,382,395	72,154,249
Deferred revenue	15,268,879	14,222,187
Deferred capital asset contributions (note 8)	57,136,889	55,440,583
Employee future benefits (note 12)	7,625,000	7,318,000
Due to external parties - vested benefits	161,015	186,393
	<u>206,965,436</u>	<u>203,964,047</u>
Fund balances:		
Internally restricted	1,807,714	1,483,429
Unrestricted	17,487,733	10,638,885
	<u>19,295,447</u>	<u>12,122,314</u>
Accumulated rereasurement gains (losses)	891,548	(1,976,575)
	<u>20,186,995</u>	<u>10,145,739</u>
Commitments, contingencies and guarantees (note 13)		
	<u>\$ 227,152,431</u>	<u>\$ 214,109,786</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Operations

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

	Operations Fund	Non- Operations Fund	2021	2020
Revenue:				
Funding from the Province of Ontario:				
Ministry of Health/Local Health Integrated Network (note 16)	\$ 146,075,785	\$ 5,107,942	\$ 151,183,727	\$ 136,854,867
Ministry of Children and Youth Services	1,038,356	–	1,038,356	1,328,771
Ministry of the Solicitor General	16,596,765	–	16,596,765	16,309,513
Department of Veterans Affairs	7,184,419	–	7,184,419	6,518,473
Patient revenues	3,689,298	–	3,689,298	4,453,564
Differential revenues	173,629	–	173,629	189,816
Amortization of deferred contributions - major equipment	2,809,250	–	2,809,250	2,231,444
Amortization of deferred contributions - land, buildings, services	191,413	5,008,122	5,199,535	5,200,445
Recoveries and other revenue	4,128,520	–	4,128,520	9,928,489
Investment income	1,326,382	–	1,326,382	3,190,982
	183,213,817	10,116,064	193,329,881	186,206,364
Expenses:				
Salaries and wages	101,404,177	–	101,404,177	96,194,127
Employee benefits	29,091,197	–	29,091,197	28,302,410
Medical staff remuneration	11,461,439	–	11,461,439	10,835,690
Medical and surgical supplies	931,803	–	931,803	539,155
Drugs	1,563,605	–	1,563,605	1,679,480
Contracts and other expenses (note 11)	35,073,591	–	35,073,591	32,777,512
Amortization of equipment	4,591,246	–	4,591,246	3,134,470
Amortization of buildings and land improvements	481,788	5,358,809	5,840,597	5,822,603
Mortgage interest	196,452	5,107,941	5,304,393	5,910,315
	184,795,298	10,466,750	195,262,048	185,195,762
Excess (deficiency) of revenue over expenses before the undernoted	(1,581,481)	(350,686)	(1,932,167)	1,010,602
Ministry of Health working funds initiative (note 15)	9,105,300	–	9,105,300	–
Excess (deficiency) of revenue over expenses	\$ 7,523,819	\$ (350,686)	\$ 7,173,133	\$ 1,010,602

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Changes in Fund Balances

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

	Operations		Non-Operations		2021 Total	2020 Total
	Internally restricted	Unrestricted	Unrestricted			
Fund balance, beginning of year	\$ 1,483,429	\$ 10,638,885	\$	–	\$ 12,122,314	\$ 11,111,712
Excess (deficiency) of revenue over expenses	–	7,523,819	(350,686)		7,173,133	1,010,602
Transfer of ancillary revenue for local share of ROMHC Redevelopment Project	324,285	(674,971)	350,686		–	–
Fund balance, end of year	\$ 1,807,714	\$ 17,487,733	\$	–	\$ 19,295,447	\$ 12,122,314

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,173,133	\$ 1,010,602
Items not affecting cash:		
Amortization of deferred capital asset contributions	(8,008,785)	(6,570,872)
Amortization of capital assets	10,431,843	8,957,073
Decrease in due to external parties - vested benefits	(25,378)	(15,521)
Increase in employee future benefits	307,000	291,300
Changes in non-cash operating working capital items (note 10(a))	(3,208,392)	7,177,382
	6,669,421	10,849,964
Financing activities:		
Increase in deferred capital asset contributions	9,705,091	7,922,620
Principal repayments on long-term debt	(9,909,148)	(9,309,632)
	(204,057)	(1,387,012)
Investing activities:		
Purchase of capital assets	(3,594,003)	(5,390,747)
Net acquisitions on short-term investments	(2,170,188)	(3,936,176)
Net disposals (acquisitions) on restricted investments	(63,468)	73,667
	(5,827,659)	(9,253,256)
Increase in cash	637,705	209,696
Cash, beginning of year	7,813,189	7,603,493
Cash, end of year	\$ 8,450,894	\$ 7,813,189

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Remeasurement Gains and Losses

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

	2021	2020
Accumulated remeasurement gains (losses), beginning of year	\$ (1,976,575)	\$ 1,097,091
Change in cumulative gains (losses) in the year:		
Realized gain on investments	180,518	1,996,274
Unrealized gain (loss) on investments	2,494,342	(5,047,087)
Derivatives (note 7(e)(ii))	193,263	(22,853)
Net remeasurement gains (losses) for year	2,868,123	(3,073,666)
Accumulated remeasurement gains (losses), end of year	\$ 891,548	\$ (1,976,575)

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements

Year ended March 31, 2021

1. Nature of entity:

Royal Ottawa Health Care Group (the "Group") was incorporated under the Corporations Act of Ontario. The Group is a not-for-profit organization under the Income Tax Act (Canada) and as such is exempt from income taxes. The Group is comprised of the Royal Ottawa Mental Health Center ("ROMHC"), Brockville Mental Health Center ("BMHC"), and Royal Ottawa Place, a long-term care facility.

The financial statements do not include the assets, liabilities or operations of Royal Ottawa Foundation for Mental Health, University of Ottawa Institute of Mental Health Research, Royal Ottawa Volunteer Association, NCE-IKTP Youth Mental Health, Friends of Royal Ottawa Foundation, Inc., The Centre of Excellence on Post Traumatic Stress Disorder and Related Mental Health Conditions or Healthcare Food Services Inc. Each of these entities shares a relationship with the Group as disclosed in note 5.

2. 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 and include the following significant accounting policies:

(a) Basis of presentation:

The Group follows the deferral method of accounting for contributions for government not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition and fund accounting:

The accounts of the Group are classified for reporting purposes into funds in accordance with activities or objectives specified by the external parties or in accordance with the directives issued by the Board of Trustees. For financial reporting purposes, the fund balances have been classified into two funds consisting of the following:

- (i) The Operations Fund includes the day-to-day transactions in regard to the operations of the Group. Unless otherwise specified, any interest earned is included in the Operations Fund.
- (ii) The Non-Operations Fund includes transactions of a capital nature related to the funding and financing of the cost of construction and the life cycle costs of the ROH Redevelopment Project.

The Group receives the majority of its funding from the Ministry of Health/Local Health Integration Network, the Ministry of the Solicitor General and the Ministry of Children and Youth Services (the "Ministries").

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(b) Revenue recognition and fund accounting (continued):

Annual provincial allocations are determined by the Ministries and are recorded as revenue in the year to which they relate. The Group is responsible for any incurred deficit. The final amount of operating revenue recorded cannot be determined until the Ministries have reviewed the Group's financial and statistical returns for the year. Any adjustments arising from the Ministries' review are recorded in the period in which the adjustment is made. The total receivable balance from the Ministries in respect of the Group's operations comprises the remaining balance of the agreed allocation and outstanding amounts, if any, from earlier years.

Other contributions and grants are received primarily for capital, research and development and other purposes. Contributions received for capital purposes are credited to deferred capital asset contributions and amortized on the same basis as the related asset. Grants received for research and development and other purposes are deferred and offset against related costs as incurred.

Patient revenues, differential revenues and other revenue are recognized when the goods are sold or the service is provided.

Investment income is recorded in the statement of operations when earned.

(c) 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 is adjusted through the statement of remeasurement gains and losses.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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 related interest rate swaps are recorded at fair value.

Canadian public sector accounting 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 the fair value of the assets and liabilities.

The Group uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 7 and 14 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

The Group uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

The fair values of over-the-counter derivatives are based on prevailing market rates for instruments with similar characteristics and maturities, net present value analysis, or are determined by using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. Counterparty credit risk and liquidity valuation adjustments are recorded, as appropriate.

(d) Inventories:

Inventories are comprised of pharmaceutical, medical and office supplies and are valued at the lower of cost, determined on a weighted average basis, and net realizable value.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets, are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When a capital asset no longer contributes to the Group's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis, over the estimated useful service lives, as follows:

Asset	Useful life
Buildings	40 to 50 years
Buildings – capital lease	40 to 50 years
Leasehold improvements	10 to 20 years
Furniture, equipment and software	5 to 10 years
Medical equipment	10 to 15 years
Land improvements	10 to 25 years

Construction-in-progress is amortized in the period that the assets are put into use.

(f) Employee future benefits:

The Group is an employer member of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Group has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

The Group provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits, retirement gratuity, sick leave and worker's compensation.

The Group accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2020, and the next required valuation will be as of March 31, 2023.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from 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 (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 14 years (2020 - 13 years). The other retirement benefits plan does not have any active members.

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The costs of multi-employer defined contribution pension plan benefits, such as the Healthcare of Ontario Pension Plan ("HOOPP"), are the employer's contributions due to the plan in the period.

(g) Contributed services:

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

(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 disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Significant areas requiring the use of management's estimates include actuarial assumptions with respect to employee future benefits, and pay equity accruals. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments:

(a) Short-term investments:

	2021		2020	
	Cost	Carrying and fair value	Cost	Carrying and fair value
Cash, marketable securities and other short term	\$ 946,364	\$ 946,364	\$ 608,024	\$ 608,024
Government of Canada bonds, 1.75% to 5% (2020 - 1.9% to 5%) maturing March 2022 to December 2048 (2020 - March 2022 to June 2041)	2,624,708	2,622,225	2,749,484	2,860,462
Provincial bonds, 2.05% to 5.85% (2020 - 2.35% to 5.85%) maturing June 2021 to June 2048 (2020 - June 2020 to June 2048)	10,278,676	10,252,689	10,061,719	10,192,329
Canadian bond funds	4,679,396	4,720,687	4,182,094	4,070,038
Canadian equities	4,583,006	5,203,214	3,868,361	3,059,180
U.S. equities	2,773,482	3,178,265	2,449,676	2,179,176
International equities	2,078,263	2,211,160	1,874,349	1,559,708
	\$ 27,963,895	\$ 29,134,604	\$ 25,793,707	\$ 24,528,917

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments (continued):

(b) Restricted investments - building reserves:

	Cost	2021 Carrying and fair value	Cost	2020 Carrying and fair value
<i>Sinking fund trust investments:</i>				
Cash, marketable securities and other short term	\$ 91,934	\$ 91,934	\$ 97,830	\$ 97,830
Government of Canada bonds, 1.75% to 5% (2020 - 1.9% to 5%) maturing March 2022 to December 2048 (2020 - March 2022 to June 2041)	275,803	275,378	397,375	413,400
Provincial bonds, 2.05% to 5.85% (2020 - 2.35% to 5.85%) maturing June 2021 to June 2048 (2020 - June 2020 to June 2048)	1,074,952	1,072,039	1,456,258	1,475,162
Canadian bond funds	489,683	494,167	603,885	587,676
Canadian equities	462,704	510,331	558,918	442,138
US equities	262,612	300,834	352,039	313,163
International equities	236,022	250,984	269,848	224,543
	\$ 2,893,710	\$ 2,995,667	\$ 3,736,153	\$ 3,553,912

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments (continued):

(b) Restricted investments - building reserves (continued):

	Cost	2021 Carrying and fair value	Cost	2020 Carrying and fair value
<i>Life cycle reserve investments:</i>				
Cash, marketable securities and other short term	\$ 368,603	\$ 368,603	\$ 481,218	\$ 481,218
Government of Canada bonds, 1.9% to 2.65% (2020 - 1.9% to 2.65%) maturing March 2022 to March 2028 (2020 - March 2022 to March 2028)	1,771,402	1,794,092	1,651,282	1,712,179
Provincial bonds, 2.05% to 4.1% (2020 - 2.35% to 4.2%) maturing June 2021 to June 2030 (2020 - June 2020 to Sep 2029)	8,063,579	8,088,182	7,733,100	7,856,913
Canadian corporate bonds, 1.75% to 4.93% (2020 - 2.62% to 4.93%) maturing July 2021 to May 2035 (2020 - May 2021 to Feb 2029)	2,829,683	2,851,770	2,428,314	2,357,821
	<u>\$ 13,033,267</u>	<u>\$ 13,102,647</u>	<u>\$ 12,293,914</u>	<u>\$ 12,408,131</u>
<i>Facility reserve investments:</i>				
Cash	\$ 841,128	\$ 841,128	\$ 674,570	\$ 674,570
Total building reserves - investments	<u>\$ 16,768,105</u>	<u>\$ 16,939,442</u>	<u>\$ 16,704,637</u>	<u>\$ 16,636,613</u>

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments (continued):

(b) Restricted investments - building reserves (continued):

(i) Building reserves - investments:

The market value of the bonds fluctuates with changes in market interest rates. There is no significant concentration of investments in any one issuer or industry sector and the Group invests only in liquid securities.

(ii) Sinking fund trust:

The Group is required to fund a portion of the cost of the Royal Ottawa Mental Health Centre (ROMHC) Redevelopment Project which will be met through various revenue streams as well as a \$15,000,000 capital campaign which was undertaken by the Royal Ottawa Foundation for Mental Health. At March 31, 2021, the balance of the fund was \$2,995,667 (2020 - \$3,553,912).

(iii) Life cycle reserve:

The ROH Redevelopment Project agreements include a life cycle plan which recognizes that over time various capital parts of the new facility will need to be restored or replaced. The purpose of the account is to pay for certain capital costs regarding the new facility. At March 31, 2021, the balance of the fund was \$13,102,647 (2020 - \$12,408,131).

(iv) Facility reserve:

The ROH Redevelopment Project agreements include provision for modification to tenant space which recognizes that over time the facility space requirements will change. The purpose of the account is to pay for the Group's special initiatives in the facility. At March 31, 2021, the balance of the fund was \$841,128 (2020 - \$674,570).

(c) Fair value:

All of the Group's investments are measured using Level 1 on the fair value hierarchy.

4. Accounts receivable:

	2021	2020
Accounts receivable	\$ 2,664,497	\$ 3,061,685
Allowance for doubtful accounts	(852,692)	(579,214)
	\$ 1,811,805	\$ 2,482,471

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Related entities:

(a) Royal Ottawa Foundation for Mental Health:

The Group has an economic interest in the Royal Ottawa Foundation for Mental Health (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Group has a balance receivable from the Foundation in the amount of \$440,715 (2020 - \$460,248) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. During the year, the Foundation has transferred an amount of \$672,649 (2020 - \$1,275,359) to the Group as part of its capital campaign.

(b) University of Ottawa Institute of Mental Health Research:

The Group has control over the University of Ottawa Institute of Mental Health Research (the "Institute") through its ability to elect the majority of voting board members. The Institute carries on and promotes scientific research for the benefit of the general public. The Group has a balance payable to the Institute in the amount of \$218,431 (2020 - (\$75,352)). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. The Group also has a balance receivable from the Institute of \$150,633 (2020 - \$226,038) relating to accrued payroll liabilities.

The Institute's assets, liabilities, revenue and expenses are as follows for the years ended March 31:

	2021	2020
Assets		
Other assets	\$ 10,844,306	\$ 9,332,479
Liabilities and Net Assets		
Liabilities:		
Due to Royal Ottawa Health Care Group	\$ —	\$ 301,390
Other liabilities	7,598,839	7,044,183
	7,598,839	7,345,573
Net assets	3,245,467	1,986,906
	\$ 10,844,306	\$ 9,332,479

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Related entities (continued):

(b) University of Ottawa Institute of Mental Health Research (continued):

	2021	2020
Revenue	\$ 5,049,596	\$ 6,376,397
Expenses	4,352,590	5,667,459
Excess of revenue over expenses	\$ 697,006	\$ 708,938

(c) Royal Ottawa Volunteer Association:

The Group has an economic interest in the Royal Ottawa Volunteer Association (the "Association"). The Association assists the Group in improving the health, rehabilitation and well-being of patients by providing funding to the Group. The Group has a balance receivable from the Association in the amount of \$2,501 (2020 - \$22,276).

(d) NCE-IKTP Youth Mental Health:

The Group has an economic interest in the NCE-IKTP Youth Mental Health ("Frayme"). Frayme's purpose is to transform youth mental health systems in Canada and around the world by establishing a platform to address urgent priorities, influencing internal services and policies, filling the gaps between research and the need for dissemination and clinical implementation and identifying gaps in research. The Group incurs some expenses on behalf of Frayme, for which Frayme reimburses the Group. The Group also provides certain administrative support services to Frayme at no charge. The Group has a balance receivable from Frayme of \$89,497 (2020 - \$48,794) relating to this reimbursement of expenses. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

(e) Friends of Royal Ottawa Foundation, Inc.

The purpose of the Friends of Royal Ottawa Foundation, Inc., (the "Friends") is to further educational, scientific, and charitable purposes pursuant to the provisions of the Delaware General Corporation Law (the "DGCK") and other applicable laws.

The Group has an economic interest in the Friends of Royal Ottawa Foundation, Inc. The Friends was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Friends of Royal Ottawa Foundation, Inc. has no amounts owing to the Group as at March 31, 2021. The Group has a balance payable to the Friends in the amount of \$Nil (2020 - \$2,741) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Related entities (continued):

- (f) Centre of Excellence on Post Traumatic Stress Disorder and Related Mental Health Conditions:

The Group has control over the Centre of Excellence on Post Traumatic Stress Disorder and Related Mental Health Conditions (the "Centre") through its ability to elect the majority of voting board members. The Centre's objective is to increase the Canadian expertise, knowledge creation and transfer of knowledge on the subject of Canadian military and Veteran mental health. The Group has a balance receivable from the Centre in the amount of \$525,506 (2020 - \$132,300). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

The Centre's assets, liabilities, revenue and expenses are as follows for the years ended March 31:

	2021	2020
Assets		
Total assets	\$ 3,492,848	\$ 261,549
Liabilities and Net Assets		
Liabilities:		
Due to Royal Ottawa Health Care Group	\$ 525,506	\$ 132,300
Other liabilities	2,950,579	122,031
	<u>3,476,085</u>	<u>254,331</u>
Net assets	16,763	7,218
	<u>\$ 3,492,848</u>	<u>\$ 261,549</u>
Revenue and Expenses		
	2021	2020
Revenue	\$ 6,270,067	\$ 1,297,865
Expenses	6,260,522	1,290,647
Excess of revenue over expenses	<u>\$ 9,545</u>	<u>\$ 7,218</u>

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Related entities (continued):

(g) Ottawa Hospitals Food Association (formerly Healthcare Food Services Inc.):

The Group was a founding member of Healthcare Food Services, Inc. ("HFS"). HFS was established to provide food services, respectively to member hospitals on a cost of service basis.

For the year ended March 31, 2021, the Group paid \$Nil (2020 - \$72,493) to HFS for food services.

On May 13, 2019, the Board of Directors of HFS finalized the sale of substantially all of the assets of HFS to a third party purchaser. As unanimously agreed-upon by the member hospitals and the Board of Directors of HFS, the net proceeds of the HFS sale will be distributed to each of the member hospital's respective Foundations. Effective the date of sale, HFS changed its operating name to Ottawa Hospitals Food Association ("OHFA").

On November 8, 2019, The Board Directors of OHFA approved a motion to distribute \$10,000,000 to the member hospital Foundation's based on their share. The Royal Ottawa Foundation for Mental Health's share of the distribution is 13.87%, and the Foundation received a donation of \$1,386,699 in March 2020.

At March 31, 2021, the Group had an economic interest of 13.87% in OHFA (2020 - 13.87% in HFS) of total net assets of \$3,022,205 (2020 - \$5,516,855).

6. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 786,626	\$ -	\$ 786,626	\$ 786,626
Buildings	21,646,811	8,256,273	13,390,538	13,945,829
Buildings - capital lease	157,750,427	55,562,711	102,187,716	106,072,581
Leasehold Improvements	27,868,947	10,839,576	17,029,371	18,088,453
Furniture, equipment and software	35,592,227	23,283,770	12,308,457	12,590,667
Medical equipment	12,898,422	9,697,674	3,200,748	4,238,549
Land improvements	1,542,395	1,092,080	450,315	468,906
	<u>\$ 258,085,855</u>	<u>\$ 108,732,084</u>	<u>\$ 149,353,771</u>	<u>\$ 156,191,611</u>

The Group disposed of assets with a cost of \$Nil (2020 - \$12,618) and accumulated amortization of \$Nil (2020 - \$12,618).

At March 31, 2020, cost and accumulated amortization amounted to \$254,491,852 and \$98,300,241, respectively.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Long-term debt:

	2021	2020
(a) Callable bank loan, unsecured, maturing May 1, 2024. The balance is repayable in monthly installments of \$29,259 including principal and interest at the bank's public sector rate plus 0.29%.	\$ 2,073,060	\$ 2,267,888
Callable bank loan, unsecured, maturing May 11, 2029. The balance is repayable in monthly installments of \$26,406 including principal and interest at the bank's public sector rate plus 0.29%.	1,018,117	1,304,510
Callable bank loan, unsecured, maturing July 15, 2021. The balance is repayable in monthly installments of \$38,347 including interest at 1.77%.	152,819	605,943
Total loans	3,243,996	4,178,341
Capital lease obligation related to the Royal Ottawa Hospital Redevelopment Project. The obligation will be amortized over 248 months to June 2027, at an interest rate of 6.33%, with monthly principal and interest payments of \$1,163,990.	71,510,487	80,485,290
Fair value of interest rate swaps (note 7(e))	450,498	643,761
	75,204,981	85,307,392
Less:		
Scheduled cash repayments of loans	661,421	934,299
Current portion of capital lease obligation	9,578,590	8,974,802
Callable debt	2,582,575	3,244,042
	12,822,586	13,153,143
	\$ 62,382,395	\$ 72,154,249

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Long-term debt (continued):

- (b) The Group has access to a \$500,000 commercial letter of credit. At March 31, 2021, there were no standby letters of credit issued (2020 - \$Nil).
- (c) Canadian public sector accounting standards require that loans that the lender can require to be repaid on demand be classified as current liabilities.

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded; regular principal payments required on all long-term debt for the next five fiscal years and thereafter are due as follows:

	Loans	Capital lease	Total
2022	\$ 661,421	\$ 9,578,590	\$ 10,240,011
2023	537,539	10,223,166	10,760,705
2024	568,124	10,911,292	11,479,416
2025	301,754	11,645,921	11,947,675
2026	257,616	12,430,206	12,687,822
2027 and thereafter	917,542	16,721,312	17,638,854
	\$ 3,243,996	\$ 71,510,487	\$ 74,754,483

- (d) Interest rate derivative agreements:

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency.

The Group incurred \$8,475,667 in construction loans at an interest rate of prime less 0.5% related to the financing of construction of the Royal Ottawa Place, which opened in June 2004. During 2004/05, the Group purchased two interest rate swaps in order to eliminate exposure to interest rate fluctuation on long-term debt. The annualized payments including principal, interest and spread are \$677,991.

- (e) Interest rate derivative agreements:

- (i) Notional amounts:

The notional amount of the interest rate swaps at March 31, 2021 is \$3,091,177 (2020 - \$3,572,398).

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Long-term debt (continued):

(e) Interest rate derivative agreements (continued):

(ii) Fair value:

The interest rate swaps have unrealized accumulated losses of \$450,498 (2020 - \$643,761) which are recorded in long-term debt as at March 31, 2021. The fair market value of the loans as at March 31, 2021, excluding the interest rate swaps impact, is \$3,246,473 (2020 - \$4,182,139) and the fair value of the capital lease obligation is \$80,263,374 (2020 - \$92,993,155). The current year impact of the change in fair value of the interest rate swap is an increase in accumulated remeasurement gains of \$193,263 (2020 - \$(22,853)). The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

8. Deferred capital asset contributions:

	2021	2020
Balance, beginning of year	\$ 55,440,583	\$ 54,088,835
Contributions for specified capital projects received during the year	9,705,091	7,922,620
Amount recognized as revenue during the year	(8,008,785)	(6,570,872)
Balance, end of year	\$ 57,136,889	\$ 55,440,583

9. Investment in capital assets:

The Group has \$17,011,901 (2020 - \$15,443,636) invested in capital assets, included in the unrestricted fund balance, calculated as follows:

	2021	2020
Capital assets	\$ 149,353,771	\$ 156,191,611
Amounts financed by:		
Long-term debt (note 7)	75,204,981	85,307,392
Deferred contributions related to capital assets (note 8)	57,136,889	55,440,583
	\$ 17,011,901	\$ 15,443,636

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Statement of cash flows:

(a) Changes in non-cash operating working capital:

	2021	2020
Accounts receivable	\$ 670,666	\$ 2,053,413
Receivable from Provinces and Territories	(14,927,674)	38,348
Due from/to related entities	(28,154)	264,797
Inventories	2,861	(43,330)
Prepaid expenses	13,094	(263,877)
Payable to the Province of Ontario	3,194,369	1,489,488
Accounts payable and accrued liabilities	5,937,675	2,335,691
Advance payments for designated projects	186,114	(88,950)
Current portion of deferred revenue	695,965	(486,657)
Deferred revenue	1,046,692	1,878,459
	\$ (3,208,392)	\$ 7,177,382

(b) Supplementary information:

	2021	2020
Interest paid during the year	\$ 5,311,431	\$ 5,925,374

11. Contracts and other expenses:

	2021	2020
Office supplies and rentals	\$ 4,105,965	\$ 3,557,463
Staff development and travel	518,834	1,148,468
Food, housekeeping and facility services	16,230,426	15,977,856
Data communication and software	2,483,898	1,912,328
Professional fees and services	3,855,151	3,247,879
Other supplies and expenses	7,879,317	6,933,518
	\$ 35,073,591	\$ 32,777,512

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Employee future benefits:

- (a) The Group has defined benefit plans that provide pension and other post-retirement benefits to most of its employees. The most recent actuarial valuation of employee future benefits for funding purposes was completed as at March 31, 2021 with the accounting valuation based on an extrapolation. The liabilities associated with these plans as at March 31 are as follows:

	2021	2020
Pensions - other (note 12(c))	\$ 63,500	\$ 66,700
Other employee future benefits (note 12(f))	7,561,500	7,251,300
	<u>\$ 7,625,000</u>	<u>\$ 7,318,000</u>

- (b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$8,218,422 (2020 - \$8,212,732). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2019 indicates the Plan is fully funded.

- (c) Pensions - other:

The Group's accrued benefit obligation under supplementary retirement income programs for certain employees is unfunded. The actuarially determined expense for the year is \$2,300 (2020 - \$5,000), based on an extrapolation of a valuation as at April 1, 2017. Benefits paid during the year amounted to \$5,500 (2020 - \$5,500).

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Employee future benefits (continued):

(d) Other employee future benefits:

The Group provides extended healthcare, dental benefits and nominal life insurance benefits for certain of its retired employees and provides for the vesting of sick leave for those employees with greater than five years of service. These benefits are not funded.

The actuarially determined expense for these other employee future benefits during the year was \$1,065,200 (2020 - \$828,000), based on a valuations as of March 31, 2021. Benefits paid during the year amounted to \$755,000 (2020 - \$536,200).

(e) The significant actuarial assumptions adopted in measuring the Group's accrued benefit obligations under other pension plans and employee future benefits are as follows:

	2021	2020
Discount rate for calculation of the pension expense	3.10%	2.90%
Discount rate to determine accrued benefit obligation	3.00%	3.10%
Salary rate increases	3.00%	2.00%
Dental cost increases	3.00%	2.75%
Extended healthcare cost increases	5.37%	5.75%

(f) Information about the Group's employee future benefits other than pension at March 31 is as follows:

	2021	2020
Accrued benefit obligation	\$ 9,884,100	\$ 9,682,500
Unamortized actuarial losses	(2,322,600)	(2,431,200)
Employee future benefit liability	\$ 7,561,500	\$ 7,251,300

(g) The employee future benefit liability change is comprised of:

	2021	2020
Current service costs	\$ 527,400	\$ 454,900
Interest on accrued benefit obligation	304,500	241,500
Amortization of net experience losses	233,300	131,600
Benefit payments made by the Hospital	(755,000)	(536,200)
	\$ 310,200	\$ 291,800

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Commitments, contingencies and guarantees:

- (a) In the normal course of operations, the Group provides indemnification agreements with various counterparties in transactions such as service agreements, software licenses, leases, and purchases of goods. Under these agreements, the Group agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Group in relation to the agreement. The nature of the indemnification agreements prevents the Group from making a reasonable estimate of the maximum potential amount that the Group would be required to pay such counterparties.
- (b) The Group has committed to continue to purchase food products through an agreed upon supply agreement with OHFA for three years ending May 2022.
- (c) The Group outsourced its hotel and facility services to EllisDon (formerly "THICC") in November 2006. The Group must offer employment to those EllisDon staff currently providing service to the Group, on terms and conditions no less favourable than those they experienced with EllisDon if the employees return to the Group.

(d) Commitments:

The Group has a number of operating leases for computer hardware, software, automobiles, office space and office equipment. Future minimum lease payments for these leases for the next five years and thereafter are as follows:

2022	\$	2,064,632
2023		1,876,462
2024		1,350,913
2025		1,219,656
2026		1,202,063
Thereafter		1,177,838
	\$	8,891,564

- (e) The Group is a party to various claims related to its operations. It is not possible to estimate the possible financial liability, if any, to the Group. The majority of claims are covered under the Group's insurance policy. No provision has been made for loss in these financial statements, but in management's opinion, these claims will not have a material adverse effect on its financial position or results of operations.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Commitments, contingencies and guarantees (continued):

- (f) The Group is a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2021.

14. Financial risks:

The Group’s financial statements consist of cash, investments, receivables, due from related entities, accounts payable and accrued liabilities, debt, and due to related entities. It is management’s opinion that the Group generally is not exposed to significant credit, market or liquidity risks arising from these instruments.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Group is exposed to this risk relating to its cash, investments and accounts receivable. The Group holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are ultimately due from the Ministries. The Group’s statement of investment policy, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investments which minimize credit risk. The Group measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Group’s historical experience regarding collections.

An amount of \$852,692 (2020 - \$579,214) has been provided for an impairment allowance. The maximum exposure to credit risk of the Group at March 31, 2021 is the carrying value of these assets. The maximum exposure to investment credit risk is outlined in note 3.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors.

The Group monitors market risk by adhering to a Board-approved investment policy.

There have been no significant changes from the previous year in the exposure to market risk or policies, procedures and methods used to measure these risks.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial risks (continued):

(b) Market risk (continued):

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Group's cash flows, financial position and investment revenue. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2021, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of \$1,502,716 (2020 - \$1,575,191) on the value of the bond portfolio.

Financial assets and financial liabilities with variable interest rates expose the Group to cash flow interest rate risk. The Group is exposed to this risk through its interest bearing investments. The Group's investments, including interest-bearing securities, are disclosed in note 3.

The Group mitigates interest rate risk on its long-term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the demand loans and term debt for a fixed rate (see note 7(e)). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

(ii) Currency risk:

Foreign currency exposure arises from the Group's holdings of foreign cash balances, equities and bonds. The Group monitors foreign cash balances and adjusts these to meet operating requirements. The Group's exposure to investments denominated in foreign currencies is \$5,941,243 (2020 - \$4,276,590).

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Group is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2021, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Group's equities of approximately \$1,214,511 (2020 - \$863,161).

(c) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 7.

Derivative financial liabilities mature as described in note 7.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial risks (continued):

It is management's opinion that the Group is not exposed to significant market, credit, or liquidity risks arising from these instruments. These risks have not significantly changed from 2020.

15. Ministry of Health working funds initiative

In March 2021, the Group was advised that it was eligible for one-time funding to address its working capital deficit. The Group is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Group's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the MOH has provided its preliminary estimate of working capital funding of \$9,105,300 which has been recognized as revenue. The MOH has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to this working capital funding will be reflected in the Group's financial statements in the year of settlement.

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 the Group, 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.

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 Group's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information.

ROYAL OTTAWA HEALTH CARE GROUP

Notes to Financial Statements (continued)

Year ended March 31, 2021

16. Ministry of Health pandemic funding

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

Funding for incremental COVID-19 operating expenses	\$ 2,810,283
Funding for revenue losses resulting from COVID-19	933,704
	<hr/> \$ 3,743,987 <hr/>

17. Impact of Coronavirus COVID-19 pandemic:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and societal impacts.

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as the priority for Group. Management has taken the following actions:

- implemented work-from-home requirements for employees, suspended travel and shifted events and meetings to digital methods.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

The Group continues to respond to the pandemic and plans for continued operational and financial impacts during the next 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.

18. Comparative information

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