Halton Healthcare Services Corporation

Financial Statements

For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of Halton Healthcare Services Corporation

Opinion

We have audited the financial statements of Halton Healthcare Services Corporation (HHSC), which comprise the statement of financial position as at March 31, 2020, and the statements of changes in net assets, accumulated remeasurement losses, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the HHSC 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 responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the HHSC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 HHSC'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 HHSC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 HHSC'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 HHSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the HHSC 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 18, 2020

Halton Healthcare Services Corporation
Statement of Financial Position
(expressed in thousands)

As at March 31,		2020		2019
ASSETS				
Current Assets				
Cash and cash equivalents	$	**102,626**	$	79,540
Restricted cash (note 5)		**59,963**		58,968
Accounts receivable (note 3)		**13,137**		12,304
Due from related parties (note 4)		**959**		796
Current portion of long-term receivable (note 6b, c)		**13,333**		12,540
Inventories		**2,317**		1,846
Prepaid expenses		**3,475**		3,945
		195,810		169,939
Long-term receivable (note 6b, c)		**714,147**		727,331
Capital assets (note 6a)		**1,592,582**		1,642,874
	$	**2,502,539**	$	2,540,144
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities (note 7)	$	**93,971**	$	81,251
Current portion of obligations under capital leases (note 8)		**316**		301
Current portion of long-term debt (note 14)		**2,211**		2,116
Current portion of long-term payable (note 6b, c)		**13,185**		12,663
		109,683		96,331
Obligations under capital leases (note 8)		**-**		316
Deferred grants (note 13)		**1,530,092**		1,578,656
Long-term debt (note 14)		**83,648**		85,859
Long-term payable (note 6b,c)		**714,147**		727,331
Interest rate swaps (note 14)		**32,437**		22,540
Post-retirement and employment benefits (note 9)		**12,484**		11,910
		2,482,491		2,522,943
Commitments and contingencies (note 6b,c and 11)				
Net assets		**52,485**		39,741
Accumulated remeasurement losses		**(32,437)**		(22,540)
	$	**2,502,539**	$	2,540,144

On behalf of the Board of Directors:

Chair

Treasurer

The accompanying notes are an integral part of these financial statements

Halton Healthcare Services Corporation
Statement of Changes in Net Assets
(expressed in thousands)

For the year ended March 31,		2020		2019
Net Assets, beginning of the year	**$**	**39,741**	$	29,351
Excess of revenues over expenses		**12,744**		10,390
Net Assets, end of the year	**$**	**52,485**	$	39,741

The accompanying notes are an integral part of these financial statements

Halton Healthcare Services Corporation
Statement of Accumulated Remeasurement Losses
(expressed in thousands)

For the year ended March 31,		**2020**		2019
Accumulated remeasurement losses, beginning of year	**$**	**(22,540)**	$	(19,954)
Unrealized losses attributable to derivative interest rate swaps		**(9,897)**		(2,586)
Accumulated remeasurement losses, end of the year	**$**	**(32,437)**	$	(22,540)

The accompanying notes are an integral part of these financial statements

Halton Healthcare Services Corporation
Statement of Operations
(expressed in thousands)

For the year ended March 31,		2020		2019
Revenues				
Ministry of Health and Long-term Care	**$**	**414,923**	$	386,277
Interest income		**2,892**		2,116
Other operational income		**74,117**		64,474
Deferred grant amortization		**19,571**		22,084
		511,503		474,951
Expenses				
Salaries, wages and benefits		**347,250**		321,223
Supplies and other expenses (note 14)		**83,524**		76,980
Medical and surgical supplies		**25,491**		23,461
Drugs		**16,586**		13,305
Equipment amortization		**24,546**		28,201
		497,397		463,170
Excess of revenues over expenses before building interest and amortization		**14,106**		11,781
Building interest and amortization, net (note 13)		**(1,362)**		(1,391)
Excess of revenues over expenses	**$**	**12,744**	$	10,390

The accompanying notes are an integral part of these financial statements

Halton Healthcare Services Corporation
Statement of Cash Flows
(expressed in thousands)

For the year ended March 31,		2020		2019
Cash flows from operating activities				
Excess of revenues over expenses	$	12,744	$	10,390
Adjustment for items not affecting cash:				
Amortization of capital assets		70,505		73,058
Amortization of deferred grants		(64,168)		(65,550)
Post-retirement and employment benefits		574		868
Changes in non-cash working capital items:				
Accounts receivable		(833)		1,050
Due from related parties		(163)		(121)
Inventories		(471)		59
Prepaid expenses		470		(843)
Accounts payable and accrued liabilities		12,720		21,285
		31,378		40,196
Cash flows used in investing activities				
Decrease in long-term receivable		12,391		11,589
Increase in restricted cash		(995)		(1,675)
Purchase of capital assets		(20,213)		(20,255)
		(8,817)		(10,341)
Cash flows from financing activities				
Contributions received for capital purposes		15,604		15,590
Repayment of long-term debt		(2,116)		(2,025)
Payments of obligations under capital leases		(301)		(298)
Decrease in long-term payable, net		(12,662)		(11,818)
		525		1,449
Increase in cash and cash equivalents, during the year		23,086		31,304
Cash and cash equivalents, beginning of year		79,540		48,236
Cash and cash equivalents, end of year	$	102,626	$	79,540
Cash and cash equivalent is represented by:				
Cash	$	99,434	$	76,417
Short-term investments		3,192		3,123
	$	102,626	$	79,540

The accompanying notes are an integral part of these financial statements

1. Operations

Halton Healthcare Services Corporation ("HHSC") is a non-profit organization incorporated without share capital under the laws of Ontario. HHSC is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

HHSC was created on August 1, 1998 as a result of the amalgamation of the Oakville-Trafalgar Memorial Hospital Association and the Milton District Hospital. On January 2, 2006, the operations of the Georgetown Hospital were transferred to HHSC. HHSC is principally involved in providing health care services to the Towns of Halton Hills, Milton, and Oakville and their surrounding communities.

These financial statements include the assets, liabilities and activities of HHSC. The Oakville Hospital Volunteer Association, Milton District Hospital Auxiliary, Georgetown Hospital Volunteer Association, Oakville Hospital Foundation, Milton District Hospital Foundation, The Georgetown Hospital Foundation and Halton Healthcare LTC Inc. are separate entities whose financial information is reported separately from HHSC.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) including accounting standards that apply only to government not-for-profit organizations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with twelve months or less maturities.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Inventory consists of medical and general supplies used in HHSC's operations and not for resale purposes.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed as incurred. Betterments which extend the estimated life of an asset are capitalized. Capital projects in process are amortized when they are substantially complete and ready for productive use.

When conditions indicate a tangible capital asset no longer contributes to HHSCs' ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

2. Significant accounting policies *(continued)*

Capital Assets (continued)

Capital assets are amortized on a straight-line basis at annual rates based on the estimated useful lives of the assets:

Land improvement	10 years
Buildings	10 to 50 years
Building service equipment	10 to 20 years
Major equipment	3 to 10 years

Capital projects in progress are not amortized until projects are substantially complete and the assets are ready for use.

Pension plan

Substantially all of the employees of HHSC are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, best five years average earnings and contributory pension plan. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

Due to the COVID-19 pandemic, additional measurement uncertainty exists in the valuation of pension investments in funded plans that the HHSC sponsors. The uncertainty is caused by unobservable valuation inputs for investments where there is no quoted market price available and the determination of discount rates used to value certain plan investments as at March 31, 2020.

Employee future benefits

The cost of post-employment benefits is determined using the projected benefit method pro-rated on service and various assumptions. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. The spread is equal to 55% of the spread between Ontario provincial and AA corporate bonds. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed in the period of the plan amendment.

Revenue Recognition

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Provincial Insurance Plans, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

Amortization of buildings is not fully funded by the MOHLTC and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Parking revenues are recognized when the service is provided.

2. Significant accounting policies *(continued)*

Revenue Recognition (continued)

Under the Health Insurance Act and Regulations thereto, HHSC is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care ("Ministry"), and the Local Health Integration Network ("LHIN").

HHSC has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2020 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to HHSC by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of HHSC that establish acceptable results for HHSC's performance in a number of areas. 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. These financial statements reflect agreed arrangements approved by the Ministry/LHIN with respect to the year ended March 31, 2020.

Financial Instruments

HHS is party to an interest rate swap agreement that manages the exposure to market risks from changing interest rates. At March 31, 2020, $85,859 (2019 - $87,975) has been advanced under this interest rate swap. HHSC’s policy is not to utilize derivative financial instruments for trading or speculative purposes.

HHSC classifies its financial instruments as either fair value or amortized cost. HHSC's accounting policy for each category is as follows:

Fair value

This category is comprised of cash and cash equivalents, restricted cash, investments and derivative instruments. They are initially measured at cost and subsequently carried at fair value with changes in fair value recognized in the statement of re-measurement gains and losses until they are realized, when they are transferred to the statement of operations. Transaction costs related to financial instruments in the fair value category are expensed as incurred.

When a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized Cost

This category includes accounts receivable, long-term receivable, due from related parties, accounts payable and accrued liabilities, long- term payable, and capital lease obligations. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except financial contributions, which are recognized at fair value.

2. Significant accounting policies *(continued)*

Financial Instruments *(continued)*

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss in known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

Due to the COVID-19 pandemic, additional measurement uncertainty exists in the valuation of the interest rate swap. The uncertainty is caused by unobservable valuation inputs for the interest rate swap where there is no quoted market price available as at March 31, 2020.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectability of accounts receivable, accrued liabilities, deferred grants and employee future benefits.

The infectious coronavirus ("COVID-19") pandemic has added to the Hospital's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2019.

Contributed Services

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

3. Accounts Receivable

	2020	2019
Ministry of Health and Long-term Care	**$ 2,251**	$ 2,280
Patients, net of allowance	**6,808**	6,031
Harmonized Sales Tax (HST)	**3,310**	2,029
Other	**768**	1,964
	$ 13,137	$ 12,304

4. Related Party Balances

a) Due from Related Parties

	2020	2019
Oakville Hospital Foundation	$ 670	$ 490
Milton District Hospital Foundation	77	75
The Georgetown Hospital Foundation	57	92
Oakville Hospital Volunteer Association	155	139
	$ 959	$ 796

5. Restricted Cash

Restricted cash represents funds earmarked for capital projects.

6. Capital Assets

a) Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 31,396	$ -	$ 31,396	$ -
Land improvement	6,490	2,344	7,423	2,796
Buildings	1,676,717	208,237	1,683,956	174,333
Building service equipment	21,875	13,878	21,015	13,218
Major equipment	190,867	119,150	238,890	153,497
Capital projects in process	8,846	-	4,038	-
	$ 1,936,191	$ 343,609	$ 1,986,718	$ 343,844
Net book value		$ 1,592,582		$ 1,642,874

Capital projects in process reflect monies expended on assets not yet in use including the pre-planning and design phase of the Georgetown Hospital expansion and various Information Systems projects.

A total of $70,740 (2019 - $Nil) of assets that are fully amortized and no longer in use were written off within the fiscal year.

Included within the cost of land is a parcel of land that was contributed to HHSC by Ontario Realty Corporation ("ORC") on November 22, 2007, to accommodate a public hospital on this land or part thereof.

6. Capital Assets *(continued)*

b) New Oakville Trafalgar Memorial Hospital

In July 2011, HHSC entered into a project agreement with a third party construction company, Hospital Infrastructure Partners Partnership ("HIP"), to design, build, finance, and maintain (for a 30-year term) the Oakville hospital project.

The balance of the amount due to HIP of $592,194 (2019 - $601,768) is related to the construction of the buildings and bears interest of 6.64% and is funded by the MOHLTC. The receivable related to the Oakville project is $592,377 (2019 - $601,698). The payments over the next five years and thereafter are as follows:

	Debt	Interest	Operating Costs	Life Cycle
2021	$ 9,996	$ 36,354	$ 13,269	$ 5,232
2022	10,632	35,772	13,461	2,433
2023	11,308	35,039	13,768	5,471
2024	12,028	34,375	13,968	5,269
2025	12,794	32,796	12,683	5,779
Thereafter	535,436	407,548	357,728	241,641
	$ 592,194	$ 581,884	$ 424,877	$ 265,825
Current	9,996	36,354	13,269	5,232
Long Term	582,198	545,530	411,608	260,593
Total	$ 592,194	$ 581,884	$ 424,877	$ 265,825

The debt, operating and maintenance services are payable in blended average monthly installments of $5,974 and matures on July 31, 2045. Part of the agreement with HIP requires that it provide certain operating and maintenance services. The total cost of these services is projected to be $483,329 over the term of the agreement. In addition, HHSC is committed to making total payments of approximately $276,239 related to life cycle maintenance over the term of the agreement. These payments are to be substantially funded by the MOHLTC and included in revenue from the MOHLTC.

c) Milton District Hospital

On March 30, 2015, HHSC entered into a project agreement with a third party construction company, Plenary Health Milton LP ("Plenary"), to design, build, finance, and maintain the Milton hospital redevelopment project.

The balance of the amount due to Plenary of $135,138 (2019 - $138,226) is related to the construction of the buildings and bears interest of 4.47% and is funded by the MOHLTC. The receivable related to the Milton hospital project is $135,103.

6. Capital Assets *(continued)*

c) Milton District Hospital *(continued)*

The payments over the next five years and thereafter are as follows:

	Debt	Interest	Operating Costs	Life Cycle
2021	$ 3,189	$ 5,389	$ 2,845	$ 153
2022	3,232	5,287	2,895	348
2023	3,337	5,182	2,947	656
2024	3,445	5,074	2,999	952
2025	3,557	4,962	3,053	1,227
Thereafter	118,378	72,180	83,494	55,512
	$ 135,138	$ 98,074	$ 98,233	$ 58,848
Current	3,189	5,389	2,845	153
Long Term	131,949	92,685	95,388	58,695
Total	$ 135,138	$ 98,074	$ 98,233	$ 58,848

The debt, operating and maintenance services are payable in blended average monthly installments of $1,038 and matures on April 1, 2047. Part of the agreement with Plenary requires that it provide certain building operating and maintenance services. The total cost of these services over the term of the contract is $106,252. In addition, HHSC is committed to making total payments of approximately $59,028 related to life cycle maintenance over the term of the agreement. These payments are substantially funded by the MOHLTC and included in revenue from the MOHLTC.

7. Accounts Payable and Accrued Liabilities

	2020	2019
Ministry of Health and Long-term care	**$ 35,517**	$ 29,731
Trade	**29,939**	26,699
Government remittances	**4,547**	3,772
Wages, benefits and other accruals	**23,968**	21,049
	$ 93,971	$ 81,251

8. Obligations under Capital Leases

	2020	2019
Current portion of obligations under capital leases	**$ 316**	$ 301
Long-term portion of obligations under capital leases	**-**	316
	$ 316	$ 617

The effective interest rate on the capital lease is 5.4% (2019 - 5.4%). The lease agreement will be completed in fiscal 2021.

9. Post-retirement and Employment Benefits

Pension

Substantially all of the employees of HHSC are members of the Hospitals of Ontario Pension Plan (HOOP). During the year, employer contributions made by HHSC to the Plan amounted to $ 19,202 (2019 - $17,761) and are included in salaries, wages and employee benefits in the Statement of Operations.

Non-Pension

Certain employees of HHSC are entitled to certain post-employment benefits. HHSC recognizes the present value of its obligation from these benefits as they are earned. At March 31, 2020, HHSCs' accrued benefit obligation, related to post-retirement benefit plan is estimated to be $12,484 (2019 - $11,910). The most recent actuarial valuation of the obligation was performed as at March 31, 2019.

The significant actuarial assumptions adopted in estimating HHSCs' accrued benefit obligations are as follows:

The significant actuarial assumptions adopted in estimating HHSCs' accrued benefit obligations are as follows:

Discount rate	3.20% (2019 - 3%)
Dental benefits cost escalation	3% (2019 - 3%) per annum
Medical benefits cost escalation	5.75% for fiscal 2020, decreasing by 0.25% per annum to an ultimate rate of 4.5%

Included in salaries, wages and employee benefits in the Statement of Operations is an expense of $574 (2019 - $868) relating to non-pension future employee benefits.

10. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	Fair Value	Amortized Cost
Cash	$ 102,626	$ -
Restricted cash	59,963	-
Accounts receivable	-	13,137
Long-term receivable	-	727,480
Due from related parties	-	959
Accounts payable and accrued liabilities	-	(93,971)
Obligation under capital leases		(316)
Long-term debt	-	(85,859)
Long-term payable	-	(727,332)
Interest rate swaps	(32,437)	-

10. Financial Instrument Classification *(continued)*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Cash	$ 102,626	$ -	$ -	$ 102,626
Restricted cash	59,963	-	-	59,963
Interest rate swaps	-	-	(32,437)	(32,437)
Total	$ 162,589	$ -	$ (32,437)	$ 130,152

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020. There were also no transfers in or out of Level 3 during the year.

11. Commitments and contingencies

Outstanding commitments for leased equipment and service contracts for the next five years are as follows:

2021	$ 5,266
2022	3,341
2023	2,365
2024	2,422
2025	1,580
	$ 14,974

Due to the nature of its operations, HHSC is periodically subject to lawsuits in which HHSC is a defendant. With respect to claims and possible claims at March 31, 2020, management believes HHSC has valid defenses and/or appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material adverse effect on HHSC's financial position and results of operations.

12. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to HHSC if a debtor fails to make payments of interest and principal when due. HHSC is exposed to this risk relating to its cash and cash equivalents, long-term receivables, due from Foundations and accounts receivable. HHSC holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

HHSC's credit risk is primarily attributable to its receivables which are primarily due from the Ministry/LHIN. Credit risk is mitigated by the financial solvency of the provincial government and highly diversified nature of the patient population.

HHSC measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on HHSC's historical experience regarding collections. The amounts outstanding at year end were as follows:

			Past Due			
	Total	Current	30-60 days	61-90 days	91-120 days	121 plus
Ministry / LHIN	$ 2,251	$ 2,251	$ -	$ -	$ -	$ -
Patients	9,468	4,394	2,128	742	494	1,710
Other	4,078	4,078	-	-	-	-
Gross receviables	15,797	10,723	2,128	742	494	1,710
Less: impairment allowance	(2,660)	(548)	(341)	(214)	(236)	(1,321)
Net receivables	$ 13,137	$ 10,175	$ 1,787	$ 528	$ 258	$ 389

The amounts greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on HHSC's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment has determined that the balances are collectible.

Subsequent to year end, additional measurement uncertainty exists around the collectability of patients receivables, due to the impact of COVID-19 pandemic. The uncertainty is caused by collection delays and increase in the rate of doubtful accounts from patients due to economic slowdown in Ontario brought on by emergency measures to combat the spread of COVID-19.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. HHSC is not exposed to significant currency or equity risk as it doesn't hold any equity or foreign instruments.

12. Financial Instrument Risk Management *(continued)*

Market risk (continued)

Subsequent to year end, COVID-19 has had a significant effect on the financial markets. The extent of any future impact on the HHSC's investments or operations as a result of COVID-19 in unknown.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. HHSC is exposed to this risk through its interest bearing investments. The risk on interest bearing investments is mitigated by the fact that HHSC holds only guaranteed investment certificates. The risk over interest bearing debt is mitigated by the use of interest rate swaps to fix the interest rate on the debt over a period of the obligation.

Liquidity risk

Liquidity risk is the risk that HHSC will not be able to meet its obligations as they come due. HHSC manages this risk by forecasting cash flow from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient funds to meet current and foreseeable financial requirements. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

13. Deferred Grants

In the Statement of Operations, building amortization is net of amortization of building deferred grants as follows:

Building		**2020**		2019
Amortization	**$**	**45,959**	$	44,857
Building grant amortization		**(44,597)**		(43,466)
	$	**1,362**	$	1,391

Interest on long-term obligations related to building		**2020**		2019
Interest on long-term obligations	**$**	**42,493**	$	43,966
Government contribution for interest on long-term obligations		**(42,493)**		(43,966)
	$	**-**	$	-

In the Statement of Financial Position, deferred grants are net of accumulated amortization less any other adjustments. A total of $115,152 of grants related to fully amortized capital assets that were no longer in use were written off within the fiscal year.

13. Deferred Grants *(continued)*

Grants		**2020**		2019
Ministry of Health and Long-term care	**$**	**1,482,932**	$	1,566,224
Regional Municipality of Halton		**18,571**		18,571
Town of Oakville		**128,873**		128,873
Town of Milton (Note 6a)		**28,711**		28,711
Capital donations		**186,877**		203,133
		1,845,964		1,945,512
Accumulated Amortization				
Building	**$**	**194,340**	$	221,242
Equipment		**121,532**		145,614
		315,872		366,856
Balance, end of year	**$**	**1,530,092**	$	1,578,656

14. Long Term Debt & Credit Facilities

HHSC has a long term loan (facility 2) which was utilized to provide local share plan contributions related to the redevelopment projects. As at March 31, 2020 the outstanding balance is $85,859 (2019 - $87,975) and bears interest at 28 to 35 day Bankers' Acceptances. It is repayable in blended monthly payments of approximately $518, maturing in April 2043.

The principle payments due under this facility for the next five years and thereafter are as follows:

2021	$	2,211
2022		2,310
2023		2,413
2024		2,521
2025		2,634
Thereafter		73,770
Total	**$**	**85,859**
Current		2,211
Long Term		83,648
Total	**$**	**85,859**

Interest expense of $4,108 (2019 - $4,206) related to Facility 2 has been reflected in supplies and other expenses on the statement of operations.

HHSC has two $5,000 demand operating lines of credit, which bear interest at prime minus 0.5% and prime plus 0.5%. As at March 31, 2020, $Nil (2019 - $Nil) had been drawn against these facilities.

HHSC holds a treasury risk management facility ("Facility 4") up to $35,000 to cover the hedge risk in connection with the swap related to Facility 2.

14. Long Term Debt & Credit Facilities *(continued)*

Derivative Liability

HHSC entered into an interest rate swap contract with its bank in order to hedge its variability in future interest payments relating to its Facility 2 loan. This swap effectively locked in the interest rate on the long-term debt at 4.72%.

Fair value as at March 31, 2020 of this interest rate swap is $32,437 (2019 - $22,540) and is reflected as a liability on the statement of financial position.

15. Related Parties

In conjunction with two other hospitals, effective March 29, 2009, HHSC became a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West (SSW). SSW is a non-profit corporation, administered by a board which includes representation from each of the three member hospitals.

HHSC has an economic interest in the operations of the Oakville Hospital Volunteer Association (the "Oakville VA"), Milton District Hospital Auxiliary (the "Milton Auxiliary") and Georgetown Hospital Volunteer Association (the 'Georgetown VA"). The Oakville VA, Milton Auxiliary and Georgetown VA are registered charities under the Income Tax Act. In accordance with their by-laws, all or part of the surplus from operations of the Oakville VA, Milton Auxiliary and Georgetown VA is to be contributed for the benefit of HHSC.

The Foundations are independent corporations incorporated without share capital which have their own Board of Directors and are registered charities under the Income Tax Act. HHSC has an economic interest in the operations of the Foundations as they receive and maintain funds for charitable purposes for the use of operations, renovations, maintenance and equipment of the HHSC community hospitals.

The Georgetown Hospital Foundation

At March 31, 2020, HHSC had a receivable from the Foundation of $57 (2019 - $92) for reimbursement of costs incurred on its behalf. Total funds received from the Foundation for fiscal 2020 amounts to $1,235 (2019 – $229).

Oakville Hospital Foundation

At March 31, 2020, HHSC had a receivable from the Foundation of $670 (2019 - $490) for reimbursement of costs incurred on its behalf. Total funds received from the Foundation for fiscal 2020 amounts to $6,554 (2019 – $7,313).

Milton Hospital Foundation

At March 31, 2020, HHSC had a receivable from the Foundation of $77 (2019 - $75) for reimbursement of costs incurred on its behalf. Total funds received from the Foundation for fiscal 2020 amounts to $2,194 (2019 – $3,220).

16. Halton Healthcare LTC Inc.

HHSC is related to Halton Healthcare LTC Inc. ("LTC") as a result of common board members. LTC provides residence and long-term care. LTC, a non-share capital charitable organization, is incorporated under the Canada Corporations Act, is a non-profit organization, and is exempt from income tax under the Income Tax Act.

HHSC was awarded an opportunity by the Ministry of Health and Long-Term Care to develop and operate a 128 bed long-term care facility on its lands. HHSC assigned its rights to develop and manage the facility to LTC. In an agreement commencing April 18, 2002, HHSC agreed to lease a parcel of its land to BPC Long-Term Care Facilities (Oakville) Inc. ("BPC Oakville") for a 40-year term. BPC Oakville agreed to sublease that parcel to LTC. The facility opened in October 2003.

LTC has not been consolidated in HHSC's financial statements. A financial summary of the non-consolidated entity for the current and previous year is as follows:

Financial position:		**2020**		2019
Total assets	**$**	**11,257**	$	11,121
Total liabilities		**14,819**		15,140
Net deficiency	**$**	**(3,562)**	$	(4,019)
Results of operations:				
Total revenues	**$**	**9,753**	$	9,726
Total expenses		**9,296**		9,402
Excess of revenues over expenses	**$**	**457**	$	324

17. Subsequent Event

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In March, the HHSC ceased providing certain volume-based programs which had implications on its patient revenues and certain ancillary revenues. These services continue to be impacted under government imposed restrictions. In addition, the HHSC has been incurring incremental expenses relating to the pandemic. The Ministry has indicated that they will provide funding for certain incremental expenses.

As the impacts of COVID-19 continue, there could be further impact on the HHSC, including its funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the HHSC is not able to fully estimate the effects of the COVID-19 outbreak on its Fiscal 2021 results of operations, financial condition, or liquidity.

18. Comparative Figures

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.