Halton Healthcare Services Corporation

Financial Statements

For the year ended March 31, 2022

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For the year ended March 31, 2022

Tel: 289 881 1111
Fax: 905 845 8615
www.bdo.ca

BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

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, 2022, 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, 2022, 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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

Oakville, Ontario
June 21, 2022

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

As at March 31,		**2022**		2021
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**125,425**	$	104,003
Restricted cash (note 5)		**54,555**		60,823
Accounts receivable (note 3)		**36,165**		29,632
Due from related parties (note 4)		**1,383**		1,343
Current portion of long-term receivable (note 6b,c)		**14,888**		14,045
Inventories		**3,518**		3,894
Prepaid expenses		**4,232**		4,524
		240,166		218,264
Long-term receivable (note 6b,c)		**685,514**		700,222
Capital assets (note 6a)		**1,509,668**		1,550,648
	$	**2,435,348**	$	2,469,134
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities (note 7)	**$**	**136,796**	$	116,544
Current portion of long-term debt (note 14)		**2,413**		2,310
Current portion of long-term payable (note 6b,c)		**14,708**		13,925
		153,917		132,779
Deferred grants (note 13)		**1,438,825**		1,486,129
Long-term debt (note 14)		**78,925**		81,338
Long-term payable (note 6b,c)		**685,514**		700,222
Interest rate swaps (note 14)		**12,165**		19,246
Post-retirement and employment benefits (note 9)		**14,086**		13,200
		2,383,432		2,432,914
Commitments and contingencies (note 6b,c and 11)				
Net assets		**64,081**		55,466
Accumulated remeasurement losses		**(12,165)**		(19,246)
	$	**2,435,348**	$	2,469,134

On behalf of the Board of Directors:

Director

Director

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,		2022		2021
Net Assets, beginning of the year	**$**	**55,466**	$	52,485
Excess of revenues over expenses		**8,615**		2,981
Net Assets, end of the year	**$**	**64,081**	$	55,466

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,		2022		2021
Accumulated remeasurement losses, beginning of year	**$**	**(19,246)**	$	(32,437)
Unrealized gains attributable to derivative interest rate swaps		**7,081**		13,191
Accumulated remeasurement losses, end of the year	**$**	**(12,165)**	$	(19,246)

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,		**2022**		2021
Revenues				
Ministry of Health and Long-term Care (note 8)	**$**	**513,519**	$	479,918
Interest income		**841**		1,028
Other operational income		**63,939**		57,960
Deferred grant amortization		**14,178**		17,506
		592,477		556,412
Expenses				
Salaries, wages and benefits		**413,919**		391,983
Supplies and other expenses (note 14)		**97,111**		90,906
Medical and surgical supplies		**30,386**		28,373
Drugs		**22,234**		18,354
Equipment amortization		**17,849**		21,960
		581,499		551,576
Excess of revenues over expenses before building interest and amortization		**10,978**		4,836
Building interest and amortization, net (note 14)		**(2,363)**		(1,855)
Excess of revenues over expenses	**$**	**8,615**	$	2,981

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,		2022		2021
Cash flows from operating activities				
Excess of revenues over expenses	$	**8,615**	$	2,981
Adjustment for items not affecting cash:				
Amortization of capital assets		**63,462**		70,079
Amortization of deferred grants		**(57,428)**		(63,770)
Post-retirement and employment benefits		**886**		716
Changes in non-cash working capital items:				
Accounts receivable		**(6,533)**		(16,495)
Due from related parties		**(40)**		(384)
Inventories		**376**		(1,577)
Prepaid expenses		**292**		(1,049)
Accounts payable and accrued liabilities		**20,252**		22,573
		29,882		13,074
Cash flows used in investing activities				
Decrease in long-term receivable		**13,865**		13,213
Decrease (increase) in restricted cash		**6,268**		(860)
Purchase of capital assets		**(22,482)**		(28,145)
		(2,349)		**(15,792)**
Cash flows from financing activities				
Contributions received for capital purposes		**10,124**		19,807
Repayment of long-term debt		**(2,310)**		(2,211)
Payments of obligations under capital leases		**-**		(316)
Decrease in long-term payable, net		**(13,925)**		(13,185)
		(6,111)		4,095
Increase in cash, during the year		**21,422**		1,377
Cash, beginning of year		**104,003**		102,626
Cash, end of year	$	**125,425**	$	104,003

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. Summary of 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.

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. Summary of 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.

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 45% 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 Ontario Ministry of Health and Long-term Care (“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. Summary of 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 MOHLTC, and the Local Health Integration Network ("LHIN"). Pursuant to a transfer order made by the Minister of Health under subsection 40(1) of the Connecting Care Act, 2019, the H-SAA between HHSC and the LHIN dated effective March 31, 2021, as amended, was transferred to Ontario Health ("OH"), effective April 1, 2021.

HHSC has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2022 with the MOHLTC and OH that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to HHSC by the MOHLTC/OH. 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 MOHLTC/OH with respect to the year ended March 31, 2022.

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, 2022, $81,338 (2021 - $83,648) 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, 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 accumulated remeasurement 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, long-term debt 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.

(expressed in thousands)

2. Summary of 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 is 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.

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 revenue and employee future benefits.

The infectious coronavirus (“COVID-19”) pandemic has added to HHSC’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 prior to the pandemic.

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

	2022	2021
MOHLTC	**$ 24,339**	$ 20,403
Patients, net of allowance	**8,699**	6,254
Harmonized Sales Tax (HST)	**2,110**	2,310
Other	**1,017**	665
	$ 36,165	$ 29,632

(expressed in thousands)

4. Due from Related Parties

	2022	2021
Oakville Hospital Foundation	**$ 994**	$ 908
Milton District Hospital Foundation	**90**	60
The Georgetown Hospital Foundation	**91**	40
Oakville Hospital Volunteer Association	**208**	335
	$ 1,383	$ 1,343

5. Restricted Cash

Restricted cash represents funds earmarked for capital projects. It is represented by cash of $52,175 (2021 - $58,435) and short-term investments of $2,380 (2021 - $2,388).

6. Capital Assets

a) Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	**$ 31,396**	**$ -**	$ 31,396	$ -
Land improvement	**5,005**	**1,410**	5,005	973
Buildings	**1,676,861**	**291,143**	1,676,807	249,687
Building service equipment	**35,334**	**23,752**	29,438	20,026
Major equipment	**225,783**	**155,503**	199,033	137,660
Capital projects in process	**7,097**	**-**	17,315	-
	$ 1,981,476	**$ 471,808**	$ 1,958,994	$ 408,346
Net book value		**$ 1,509,668**		$ 1,550,648

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 the development of the Oakville Trafalgar Memorial Hospital & Milton District Hospital shell-in spaces.

(expressed in thousands)

6. Capital Assets *(continued)*

b) New Oakville Trafalgar Memorial Hospital

In July 2011, HHSC entered into the New Oakville Hospital Project Agreement ("NOH PA") 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 $571,566 (2021 - $582,198) is related to the construction of the buildings, bears interest of 6.64% and is funded by the MOHLTC. The receivable related to the Oakville project is $571,759 (2021 - $582,333). The payments over the next five years and thereafter are as follows:

	Debt	Interest	Operating Costs	Life Cycle
2023	$ 11,308	$ 35,039	$ 13,768	$ 5,471
2024	12,028	34,375	13,968	5,269
2025	12,794	33,551	14,287	2,542
2026	13,608	32,796	14,494	3,968
2027	14,474	31,869	14,827	6,779
Thereafter	507,354	342,128	326,803	234,131
	$ 571,566	$ 509,758	$ 398,147	$ 258,160
Current	11,308	35,039	13,768	5,471
Long Term	560,258	474,719	384,379	252,689
Total	$ 571,566	$ 509,758	$ 398,147	$ 258,160

Part of the NOH PA and HIP requires that it provide certain operating and maintenance services. The debt, operating and maintenance services are payable in blended average monthly installments of $5,974 and the NOH PA matures on July 31, 2045. The total remaining cost of these services is projected to be $398,147 over the term of the NOH PA. In addition, HHSC is committed to making total payments of approximately $258,160 related to life cycle maintenance over the remaining term of the NOH PA. 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 the Milton District Hospital Redevelopment Project Agreement ("MDH PA") 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 $128,656 (2021 - $131,949) 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 $128,643 (2021 – $131,934).

(expressed in thousands)

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
2023	$ 3,400	$ 5,182	$ 2,947	$ 656
2024	3,445	5,074	2,999	952
2025	3,557	4,962	3,053	1,227
2026	3,672	4,847	3,107	1,139
2027	3,792	4,727	3,163	1,243
Thereafter	110,790	62,606	77,224	53,130
	$ 128,656	$ 87,398	$ 92,494	$ 58,347
Current	3,400	5,182	2,947	656
Long Term	125,256	82,216	89,547	57,691
Total	$ 128,656	$ 87,398	$ 92,494	$ 58,347

Part of the MDH PA with Plenary requires that it provide certain building operating and maintenance services. The debt, operating and maintenance services are payable in blended average monthly installments of $1,038 and the MDH PA matures on April 1, 2047. The total remaining cost of these services over the term of the MDH PA is $92,494. In addition, HHSC is committed to making total payments of approximately $58,347 related to life cycle maintenance over the remaining term of the MDH PA. These payments are substantially funded by the MOHLTC and included in revenue from the MOHLTC.

7. Accounts Payable and Accrued Liabilities

	2022	2021
MOHLTC	**$ 59,140**	$ 47,798
Trade	**38,317**	32,885
Government remittances	**5,419**	5,074
Wages, benefits and other accruals	**33,920**	30,787
	$ 136,796	$ 116,544

(expressed in thousands)

8. COVID-19 MOHLTC Funding

In response to the ongoing COVID-19 pandemic, the MOHLTC has announced funding programs to assist hospitals with incremental operating and capital costs as a result of COVID-19. Additionally, as part of the broad based funding reconciliation, the MOHLTC is allowing hospitals to reallocate surplus funding that otherwise would have been repayable from certain programs to offset budget constraints created by COVID-19.

Management's estimate of HHSC's MOHLTC revenue is based on guidance which continues to evolve. This guidance includes the maximum amount of funding potentially available to HHSC, as well as the criteria for eligibility. As a result, there is measurement uncertainty associated with the MOHLTC revenue related to COVID-19. In addition, as the funding is subject to review and reconciliation in subsequent periods, funding recognized as revenue during a period may be increased or decreased in subsequent periods.

9. Post-retirement and Employment Benefits

Pension

Substantially all of the employees of HHSC are members of HOOPP. During the year, employer contributions made by HHSC to HOOPP amounted to $22,130 (2021 - $20,991) 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, 2022, HHSC's accrued benefit obligation, related to post-retirement benefit plan is estimated to be $14,086 (2021 - $13,200). The most recent actuarial valuation of the obligation was performed as at March 31, 2022.

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

Discount rate	3.70% (2021 – 3.10%)
Dental benefits cost escalation	3.00% (2021 – 3.00%) per annum
Medical benefits cost escalation	5.70% (2021 – 5.25%) per annum

Included in salaries, wages and employee benefits in the Statement of Operations is an expense of $886 (2021 - $716) relating to non-pension future employee benefits.

(expressed in thousands)

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	$ 125,425	$ -
Restricted cash	54,555	-
Accounts receivable	-	36,165
Long-term receivable	-	700,402
Due from related parties	-	1,383
Accounts payable and accrued liabilities	-	(136,796)
Long-term debt	-	(81,338)
Long-term payable	-	(700,222)
Interest rate swap	(12,165)	-

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	**$ 125,425**	**$ -**	**$ -**	**$ 125,425**
Restricted cash	**54,555**	**-**	**-**	**54,555**
Interest rate swaps	**-**	**-**	**(12,165)**	**(12,165)**
Total	**$ 179,980**	**$ -**	**$ (12,165)**	**$ 167,815**

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2022. There were also no transfers in or out of Level 3 during the year

(expressed in thousands)

11. Commitments and contingencies

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

2023	$	**3,520**
2024		**2,343**
2025		**1,477**
	$	**7,340**

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, 2022, 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 related parties 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 MOHLTC. 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**
MOHLTC	$ 24,339	$ 24,339	$ -	$ -	$ -	$ -
Patients	13,565	5,934	1,652	1,619	1,965	2,395
Other	3,127	3,127	-	-	-	-
Gross receviables	41,031	33,400	1,652	1,619	1,965	2,395
Less: impairment allowance	(4,866)	(1,636)	(499)	(629)	(269)	(1,833)
Net receivables	$ 36,165	$ 31,764	$ 1,153	$ 990	$ 1,696	$ 562

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.

12. Financial Instrument Risk Management *(continued)*

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 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.

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-9 is 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.

(expressed in thousands)

13. Deferred Grants

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

Building		2022		2021
Amortization	$	45,613	$	48,119
Building grant amortization		(43,250)		(46,264)
	$	2,363	$	1,855

Interest on long-term obligations related to building		2022		2021
Interest on long-term obligations	$	41,059	$	41,743
Government contribution for interest on long-term obligations		(41,059)		(41,743)
	$	-	$	-

In the Statement of Financial Position, deferred grants are net of accumulated amortization less any other adjustments.

		2022	2021
Grants			
Ministry of Health and Long-Term Care	$	1,499,321	$1,494,528
Regional Municipality of Halton		18,571	18,571
Town of Oakville		129,173	129,173
Town of Milton (Note 5)		28,795	28,741
Capital donations		200,035	194,758
		1,875,895	1,865,771
Accumulated Amortization			
Building	$	283,855	$ 240,604
Equipment		153,215	139,038
		437,070	379,642
Balance, end of year	$	1,438,825	$1,486,129

Included in deferred grants is $408 (2021 - $410) of unspent funds relating to funding received from the Health Infrastructure Renewal Fund (“HIRF”). The unspent funds are a result of the impacts of the COVID-19 pandemic.

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, 2022 the outstanding balance is $81,338 (2021 - $83,648) and bears interest at 28 to 35 day Bankers' Acceptances. It is repayable in blended monthly payments of approximately $517, maturing in April 2043.

(expressed in thousands)

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

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

2023	$	2,413
2024		2,521
2025		2,634
2026		2,752
2027		2,875
Thereafter		68,143
Total	$	81,338
Current		2,413
Long-Term		78,925
Total	$	81,338

Interest expense of $3,899 (2021 - $4,005) 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% respectively. As at March 31, 2022, $Nil (2021 - $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.

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, 2022 of this interest rate swap is $12,165 (2021 - $19,246) 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.

15. Related Parties *(continued)*

The Foundations (“Georgetown Hospital Foundation (GHF), Oakville Hospital Foundation (OHF), and Milton District Hospital Foundation (MDHF)”) 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.

GHF

At March 31, 2022, HHSC had a receivable from the GHF of $91 (2021 - $40) for reimbursement of costs incurred on its behalf. Total funds received from the GHF for fiscal 2022 amounts to $271 (2021 – $203).

OHF

At March 31, 2022, HHSC had a receivable from the OHF of $994 (2021 - $908) for reimbursement of costs incurred on its behalf. Total funds received from the OHF for fiscal 2022 amounts to $5,423 (2021 – $7,543).

MDHF

At March 31, 2022, HHSC had a receivable from the MDHF of $90 (2021 - $60) for reimbursement of costs incurred on its behalf. Total funds received from the MDHF for fiscal 2022 amounts to $212 (2021 – $1,172).

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 MOHLTC 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.

(expressed in thousands)

16. Halton Healthcare LTC Inc. *(continued)*

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:

		2022		2021
Financial position:				
Total assets	$	11,640	$	10,628
Total liabilities		14,245		14,162
Net deficiency	$	(2,605)	$	(3,534)
Results of operations:				
Total revenues	$	12,829	$	12,291
Total expenses		11,900		12,236
Excess of revenues over expenses	$	929	$	55

17. Impact of the COVID-19 Pandemic

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.

Certain volume-based programs continue to be impacted under government imposed restrictions, which had implications on HHSC’s revenues. HHSC has been incurring incremental expenses relating to the pandemic. The MOHLTC has been providing funding for net incremental COVID-19 capital and operating expenses.

Based on funding and commitments received from the MOHLTC to cover all incremental COVID-19 operational and capital costs, HHSC recognized additional one-time revenues. The MOHLTC is not required to communicate the funding adjustments until after the submission of the year-end data. Therefore, the funding received from COVID-19 may be increased or decreased subsequent to year-end. The amount of revenue recognized in the financial statements represents management’s best estimates of the amount earned during the year.

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 pandemic and the global responses to curb its spread, the HHSC is not able to fully estimate the effects of the COVID-19 pandemic on its results of operations, financial condition or liquidity at this time.