

**North York  
General Hospital**

Financial Statements  
**March 31, 2021**



## Independent auditor's report

To the Board of Directors of North York General Hospital

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North York General Hospital (the Hospital) as at March 31, 2021 and the results of its operations, remeasurement losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### What we have audited

The Hospital's financial statements 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 net assets for the year then ended;
- the statement of remeasurement losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

#### Independence

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

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### 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.

PricewaterhouseCoopers LLP  
200 Apple Mill Road, Vaughan, Ontario, Canada L4K 0J8  
T: +1 905 326 6800, F: +1 905 326 5339



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

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

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### **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.
- 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Hospital 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario

June 4, 2021

# North York General Hospital

## Statement of Financial Position

As at March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	71,829	62,291
Accounts receivable (note 4)	35,571	23,054
Prepaid expenses	5,342	5,669
Inventories	5,317	3,868
	<hr/>	<hr/>
	118,059	94,882
<b>Capital assets</b> (note 5)	206,711	194,543
<b>Other long-term asset</b>	8,270	7,369
<b>Long-term investments</b> (note 6)	6,503	6,313
	<hr/>	<hr/>
	339,543	303,107
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	92,478	72,939
Deferred revenue	11,107	9,340
Long-term debt (note 7)	704	846
	<hr/>	<hr/>
	104,289	83,125
<b>Long-term debt</b> (note 7)	7,065	7,769
<b>Derivative liabilities</b> (note 7)	1,659	2,272
<b>Employee future benefits</b> (note 9)	12,143	11,584
<b>Deferred capital contributions</b> (note 8)	141,502	129,271
<b>Other long-term liability</b>	5,725	5,237
	<hr/>	<hr/>
	272,383	239,258
<b>Net Assets</b>		
<b>Invested in capital assets</b> (note 3)	84,060	73,452
<b>Unrestricted</b>	(15,362)	(7,172)
<b>Accumulated remeasurement losses</b>	(1,538)	(2,431)
	<hr/>	<hr/>
	67,160	63,849
	<hr/>	<hr/>
	339,543	303,107
<b>Commitments and contingencies</b> (note 14)		

Approved by the Board

*H Singh*

Treasurer



Chairman

The accompanying notes are an integral part of these financial statements.

# North York General Hospital

## Statement of Operations

For the year ended March 31, 2021

(in thousands of dollars)

	2021 \$	2020 \$
<b>Revenue</b>		
Ministry of Health and Ontario Health	343,640	331,792
COVID-19 funding	33,982	-
Patient services	35,458	42,725
Ancillary operations	40,021	43,029
Amortization of deferred capital contributions – equipment and software	3,651	3,200
	<hr/> 456,752	<hr/> 420,746
<b>Expenses</b>		
Salaries and wages	208,271	189,534
Employee benefits (note 9)	55,607	52,916
Medical staff	44,733	42,242
Building and equipment maintenance	26,663	26,176
Drugs	31,375	30,338
Medical and surgical supplies	18,835	20,625
Other supplies and expenses	58,367	50,810
Amortization of equipment and software	7,869	7,596
	<hr/> 451,720	<hr/> 420,237
<b>Excess of revenue over expenses before the undernoted</b>	<hr/> 5,032	<hr/> 509
<b>Amortization of deferred capital contributions – building and parking facilities</b>	4,764	4,526
<b>Amortization of building and parking facilities</b>	<hr/> (7,378)	<hr/> (6,974)
	<hr/> (2,614)	<hr/> (2,448)
<b>Excess (deficiency) of revenue over expenses for the year</b>	<hr/> <hr/> 2,418	<hr/> <hr/> (1,939)

The accompanying notes are an integral part of these financial statements.

# North York General Hospital

## Statement of Changes in Net Assets

For the year ended March 31, 2021

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(in thousands of dollars)

			2021	2020
	Invested in capital assets \$ (note 3)	Unrestricted \$	Total \$	Total \$
<b>Balance – Beginning of year</b>	73,452	(7,172)	66,280	68,219
Excess (deficiency) of revenue over expenses for the year	(6,832)	9,250	2,418	(1,939)
Invested in capital assets transfer (note 3)	17,440	(17,440)	-	-
<b>Balance – End of year</b>	<u>84,060</u>	<u>(15,362)</u>	<u>68,698</u>	<u>66,280</u>

The accompanying notes are an integral part of these financial statements.

# North York General Hospital

## Statement of Remeasurement Losses

For the year ended March 31, 2021

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(in thousands of dollars)

	2021 \$	2020 \$
<b>Accumulated remeasurement losses – Beginning of year</b>	<u>(2,431)</u>	<u>(2,178)</u>
<b>Unrealized gains (losses) attributable to</b>		
Change in fair value		
Derivatives	613	(149)
Investments	<u>280</u>	<u>(104)</u>
<b>Net remeasurement gains (losses) for the year</b>	<u>893</u>	<u>(253)</u>
<b>Accumulated remeasurement losses – End of year</b>	<u>(1,538)</u>	<u>(2,431)</u>

The accompanying notes are an integral part of these financial statements.



# North York General Hospital

## Statement of Cash Flows

For the year ended March 31, 2021

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(in thousands of dollars)

	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	2,418	(1,939)
Items not affecting cash		
Amortization of equipment and software	7,869	7,596
Amortization of building and parking facilities	7,378	6,974
Amortization of deferred capital contributions of equipment and software	(3,651)	(3,200)
Amortization of deferred capital contributions of building and parking facilities	(4,764)	(4,526)
Employee future benefits expense	559	543
Decrease in investments	90	(444)
Changes in non-cash components of working capital (note 10)	7,254	406
	<hr/> 17,153	<hr/> 5,410
<b>Financing activities</b>		
Capital contributions received		
Ontario Ministry of Health	12,774	1,105
North York General Hospital Foundation and other	7,872	12,043
Repayment of long-term debt	(846)	(795)
	<hr/> 19,800	<hr/> 12,353
<b>Capital activities</b>		
Purchases of capital assets	<hr/> (27,415)	<hr/> (32,588)
<b>Change in cash and cash equivalents during the year</b>	9,538	(14,825)
<b>Cash and cash equivalents – Beginning of year</b>	<hr/> 62,291	<hr/> 77,116
<b>Cash and cash equivalents – End of year</b>	<hr/> <hr/> 71,829	<hr/> <hr/> 62,291

The accompanying notes are an integral part of these financial statements.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### 1 Operations

North York General Hospital (the Hospital), including the IODE Children's Centre, is a three-site community teaching hospital affiliated with the University of Toronto. The Hospital provides acute care and ambulatory and long-term care services to the community in north central Toronto and the southern York Region.

The Hospital was incorporated in 1962, without share capital, under Part III of the Ontario Corporations Act. The Hospital is a registered charity as defined in the Income Tax Act (Canada) and, as such, is exempt from corporate income taxes.

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of the North York General Hospital Foundation (the Foundation) or the activities of the North York General Hospital Volunteer Services.

#### Impacts of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures.

Since the beginning of the pandemic and up to March 31, 2021, the Hospital incurred pandemic-related incremental operating expenditures of \$31.6 million (2020 – \$nil) and experienced a loss of non-Ministry of Health revenues that amounted to \$2.4 million (2020 – \$nil). These amounts were recognized as Ministry of Health COVID-19 funding revenue in the statement of operations for the year ended March 31, 2021, in accordance with the Ministry of Health's COVID-19 Hospital Expenses Guidance document.

In addition to funding received, the Hospital received \$8.9 million (2020 – \$nil) in temporary pandemic pay funding for eligible staff and temporary physician pay funding, which have been offset in salaries and wages, employee benefits and medical staff in the statement of operations during the year, since the Hospital acted as an agent for the Ministry of Health in respect of distributing the pay to staff and physicians.

The duration and impact of the COVID-19 pandemic is unknown at this time, and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results of the Hospital in future periods.

### 2 Summary of significant accounting policies

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

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### **Revenue recognition**

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health (MOH) and Ontario Health (an integrated organization of previous provincial health units including Local Health Integration Network and Cancer Care Ontario). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOH and Ontario Health. The Hospital has entered into an accountability agreement with Ontario Health, which requires the Hospital to meet certain financial and non-financial performance indicators.

All investment income is unrestricted and recognized as revenue when earned.

Amortization of building and parking facilities is not fully funded by the MOH and accordingly the amortization of building and parking facilities has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred donations and grants.

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred contributions are recognized in revenue on the same basis as the amortization of the cost of the related capital assets.

### **Employee benefit plans**

Substantially all employees of the Hospital 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; employees are entitled to certain post-employment benefits. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

The Hospital provides certain healthcare, dental, life insurance and other benefits for certain retired employees. The cost of post-employment benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and healthcare costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on cash flows expected from employee future benefit obligations. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past-service costs relating to plan amendments are expensed when incurred.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a term to maturity of three months or less from the date of purchase. Included in cash and cash equivalents is restricted cash of \$26,619 (2020 – \$16,794) pertaining to unspent capital contributions and \$24,550 (2020 – \$9,340) pertaining to deferred revenue.

### Inventories

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and replacement cost. Outpatient pharmacy inventories, which are sold at prices that reflect fair value, are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

### Capital assets

Capital assets are stated at cost, less accumulated amortization.

Expenditures for new facilities, or expenditures that substantially increase the useful lives of existing capital assets, are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Contributed capital assets are recorded at fair value at the date of acquisition.

Amortization is provided for by the straight-line method over the estimated useful lives of the assets at rates as follows:

Parking facilities	4% – 10%
Buildings	2-1/2% – 20%
Equipment	5% – 20%
Software	33-1/3%

Projects-in-progress comprise direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for use.

### Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when a capital asset no longer has any long-term service potential. The impairment loss is calculated as the difference between the net carrying value of the asset over any residual value.

### Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related financial statement notes.

### Joint ventures

The investment in joint ventures is accounted for using the modified equity method.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### Financial instruments

The Hospital's financial instruments are measured as follows:

<b>Assets/liabilities</b>	<b>Measurement category</b>
Cash and cash equivalents	fair value
Long-term investments	fair value
Accounts receivable	amortized cost
Other long-term asset	amortized cost
Accounts payable and accrued liabilities	amortized cost
Other long-term liability	amortized cost
Long-term debt	amortized cost
Derivative liabilities	fair value

Transaction costs related to financial instruments are expensed as incurred.

### Derivatives

Interest rate swap agreements are used as part of the Hospital's program to manage the fixed and floating interest rate mix of the Hospital's total debt portfolio and related overall cost of borrowing. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense.

### Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Long-term investments were measured as Level 1 financial instruments and the derivatives were measured as Level 2 financial instruments.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement losses. On settlement, the cumulative gain or loss is reclassified from the statement of remeasurement losses and are recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. Transaction costs on assets measured at fair value are expensed as incurred.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

All financial assets, except derivatives and long-term investments, are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A writedown of a long-term investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

### **Measurement uncertainty**

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.

A portion of the revenue recognized from the Ministry requires estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry for the year ended March 31, 2021. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations as set out in the agreements or in specific funding letters, the Ministry has the right to adjust funding received by the Hospital. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

The coronavirus pandemic (COVID-19) has added to the Hospital's measurement uncertainty primarily due to judgment required by management to make significant assumptions related to critical estimates as they relate to funding received from the Ministry for incremental costs related to COVID-19. Calculating the amount of the incremental funding requires judgment in interpreting the related guidelines published by the Ministry as of the date of these financial statements. There is uncertainty as to the extent to which funding will be clawed back if additional clarifying guidance is published by the Ministry. Given the likelihood of the Ministry issuing additional guidance, there is an increased risk that funding provided may be clawed back and that COVID-19 funding has not been appropriately recorded in the statement of operations.

Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits. Employee future benefits liabilities (note 9) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding healthcare cost trend rates for retiree benefits may be significant.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### 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 collectibility of accounts receivable, recoverability and useful lives of capital assets, COVID-19 revenue and employee future benefits.

### 3 Invested in capital assets

	2021 \$	2020 \$
Capital assets	206,711	194,543
Long-term debt (note 7)	(7,769)	(8,615)
Deferred capital contributions expended	(114,882)	(112,476)
	<hr/> 84,060	<hr/> 73,452

The change in net assets invested in capital assets is determined as follows:

	2021 \$	2020 \$
Excess of revenue over expenses		
Amortization of deferred capital contributions		
Equipment and software	3,651	3,200
Building and parking facilities	4,764	4,526
	<hr/> 8,415	<hr/> 7,726
Amortization of capital assets		
Equipment and software	7,869	7,596
Building and parking facilities	7,378	6,974
	<hr/> 15,247	<hr/> 14,570
Excess of expenses over revenue	<hr/> (6,832)	<hr/> (6,844)
Net change in invested in capital assets		
Purchase of capital assets	27,415	32,588
Increase in deferred capital contributions	(10,821)	(18,476)
Decrease in long-term debt	846	795
	<hr/> 17,440	<hr/> 14,907

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

(in thousands of dollars)

### 4 Accounts receivable

	2021 \$	2020 \$
MOH	21,512	7,823
Patient receivables	7,747	8,066
Ontario Health	1,010	1,508
North York General Hospital Foundation	203	200
Other	5,600	6,735
	<hr/>	<hr/>
	36,072	24,332
Less: Allowance for doubtful accounts	501	1,278
	<hr/>	<hr/>
	35,571	23,054
	<hr/>	<hr/>

### 5 Capital assets

	<b>2021</b>		
	<b>Cost</b> \$	<b>Accumulated amortization</b> \$	<b>Net</b> \$
Land	541	-	541
Parking facilities	27,271	16,391	10,880
Buildings	267,307	129,152	138,155
Equipment	194,652	168,649	26,003
Software	42,279	33,975	8,304
	<hr/>	<hr/>	<hr/>
	532,050	348,167	183,883
Projects-in-progress	22,828	-	22,828
	<hr/>	<hr/>	<hr/>
	554,878	348,167	206,711
	<hr/>	<hr/>	<hr/>
	<b>2020</b>		
	<b>Cost</b> \$	<b>Accumulated amortization</b> \$	<b>Net</b> \$
Land	541	-	541
Parking facilities	26,907	15,620	11,287
Buildings	244,209	122,544	121,665
Equipment	190,105	161,361	28,744
Software	39,245	33,528	5,717
	<hr/>	<hr/>	<hr/>
	501,007	333,053	167,954
Projects-in-progress	26,589	-	26,589
	<hr/>	<hr/>	<hr/>
	527,596	333,053	194,543
	<hr/>	<hr/>	<hr/>

The Hospital is one of eight hospitals named in the 2018 Ontario Budget, for which the province has committed to support the construction of major projects.



# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### 6 Long-term investments

The Hospital has invested cash committed to be spent on future construction and capital projects with an investment management firm. These investments are held in short-term bond pooled funds at a fair value of \$5,692 (2020 – \$5,353).

Also included in long-term investments is the Hospital's investment in three joint ventures of \$811 (2020 – \$960) (note 11).

### 7 Long-term debt

Long-term debt consists of the following:

	2021 \$	2020 \$
Term loan bearing interest at 6.38%, repayable in blended monthly payments of \$17, maturing April 2021	17	217
Term loan, bearing interest at 5.97%, repayable in blended monthly payments of \$35, maturing October 2029	2,791	3,033
Term loan, bearing interest at 6.22%, repayable in blended monthly payments of \$61, maturing February 2030	4,961	5,365
	<hr/>	<hr/>
	7,769	8,615
Less: Current portion	704	846
	<hr/>	<hr/>
	7,065	7,769
	<hr/>	<hr/>

Principal repayments of long-term debt are as follows:

	\$
2022	704
2023	730
2024	775
2025	825
2026	876
Thereafter	3,859
	<hr/>
	7,769
	<hr/>

The Hospital fixed the interest rates on all the term loans by entering into interest rate swap agreements. Interest swap contracts range from 5.97% to 6.38% and expire between fiscal 2022 and fiscal 2030.

The Hospital has available an unsecured operating facility with a Canadian chartered bank in the amount of \$12,000. The Hospital has \$86 (2020 – \$86) in outstanding letters of credit drawn on this facility.

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

### 8 Deferred capital contributions

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

	2021 \$	2020 \$
Balance – Beginning of year	129,271	123,849
Contributions received	20,646	13,148
Amortization	(8,415)	(7,726)
	<hr/>	<hr/>
Balance – End of year	141,502	129,271

Included in the year-end balance is \$26,620 (2020 – \$16,795) in unspent donations and grants.

### 9 Employee benefit plans

#### Healthcare of Ontario Pension Plan

Contributions made to the plan during the year by the Hospital amounted to \$17,190 (2020 – \$16,427). These amounts are included in the employee benefits expense in the statement of operations. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies.

#### Other post-employment benefit plans

The Hospital offers various non-pension post-employment benefit plans to a number of its employees.

The Hospital is responsible for 50% to 75% of the cost of extended healthcare, dental and semi-private accommodation and for 100% of the cost of group life insurance for some retirees.

Information about the Hospital's employee future benefits is as follows:

	2021 \$	2020 \$
Accrued benefit obligation – Beginning of year	13,144	13,134
Current service cost	565	563
Interest cost	429	402
Amortization of net actuarial gains (losses)	565	(366)
	<hr/>	<hr/>
Benefits paid	14,703	13,733
	(578)	(589)
	<hr/>	<hr/>
Accrued benefit obligation – End of year	14,125	13,144
Ending unamortized actuarial experience losses	(1,982)	(1,560)
	<hr/>	<hr/>
Accrued benefit liability	12,143	11,584

# North York General Hospital

## Notes to Financial Statements

March 31, 2021

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(in thousands of dollars)

Employee contributions during the year were \$139 (2020 – \$173).

The most recent actuarial valuation of the obligation was performed as at March 31, 2019.

The significant actuarial assumptions utilized in measuring the Hospital's accrued benefit obligations for the non-pension post-retirement benefit plans are as follows:

- a discount rate to determine the accrued benefit obligations of 3.2% (2020 – 3.0%);
- dental costs increasing by 4% (2020 – 4%) per annum; and
- extended healthcare costs and semi-private hospital coverage of 4% (2020 – 4%).

### 10 Changes in non-cash components of working capital

	2021 \$	2020 \$
Accounts receivable	(12,517)	(3,635)
Prepaid expenses	327	(100)
Inventories	(1,449)	(1,287)
Other long-term asset	(901)	(1,047)
Accounts payable and accrued liabilities	19,539	6,982
Deferred revenue	1,767	(1,002)
Other long-term liability	488	495
	<hr/> 7,254	<hr/> 406

### 11 Related party transactions

The Foundation was established to raise funds to support the Hospital and its program and capital needs. The Foundation is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act (Canada). The Hospital is considered to have significant influence over the Foundation due to common directors on the boards. The Foundation provided capital grants during 2021 of \$7,787 (2020 – \$12,005), which have been reflected as deferred capital contributions, and also provided operational grants of \$1,876 (2020 – \$1,691), which have been recognized as revenue from ancillary operations. In addition, there is \$203 (2020 – \$200) receivable from the Foundation for reimbursement of costs incurred on its behalf.

The Hospital is party to a joint venture agreement with Toronto East Health Network, Sunnybrook Health Sciences, and Scarborough Health Network. The joint venture, Shared Hospital Laboratory Inc. (SHLI), provides non-emergency laboratory services. The Hospital's share of revenue for the year was \$42 (2020 – loss of \$80), which was recorded in ancillary operations. In addition, the Hospital paid \$1,526 (2020 – \$1,377) for laboratory services.

The Hospital is party to a joint venture agreement with Proresp Inc. The joint venture, North York ProResp, provides home respiratory products and services to the community. The Hospital's share of revenue for the year was \$175 (2020 – \$150), which was recorded in ancillary operations.

# North York General Hospital

## Notes to Financial Statements

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(in thousands of dollars)

The Hospital is party to a joint venture agreement with 2359158 Ontario Inc. The joint venture, North York General Assessment and Wellness Centre, provides independent medical examination services to insurance companies, employers, government organizations and the WSIB. The Hospital's share of revenue for the year was \$912 (2020 – \$1,037), which was recorded in ancillary operations.

### 12 Risk management

The Hospital is exposed to a variety of financial risks, including market risk, interest rate risk, credit risk and liquidity risk. The Hospital's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance.

- **Market risk**

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risk to which the Hospital is exposed is interest rate risk.

- **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Hospital. The interest bearing long-term investments have a limited exposure to interest rate risk due to their nature. The Hospital entered into interest rate swap contracts to mitigate the interest rate risk on the long-term debt.

- **Credit risk**

The Hospital's principal financial assets are cash and cash equivalents, accounts receivable and long-term investments, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represent the Hospital's maximum credit exposure at the statement of financial position date.

The Hospital's credit risk is primarily attributable to its receivables. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2021, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 120 days \$
Accounts receivable	5,058	676	332	1,550

The credit risk on cash and cash equivalents and long-term investments is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

# North York General Hospital

## Notes to Financial Statements

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(in thousands of dollars)

- **Liquidity risk**

Liquidity risk is the risk the Hospital will not be able to meet its financial obligations when they come due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The table below is a maturity analysis of the Hospital's financial liabilities:

	Up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	92,478	-	-	92,478
Other long-term liability	-	5,725	-	5,725
Long-term debt (including interest)	1,182	4,631	4,350	10,163
	<u>93,660</u>	<u>10,356</u>	<u>4,350</u>	<u>108,366</u>

### 13 Shared services – Plexxus

The Hospital is a member of Plexxus, a not-for-profit shared services organization whose mandate is to provide supply chain services to member organizations. The objectives of Plexxus are to maximize supply chain savings that will be reinvested in direct patient care.

### 14 Commitments and contingencies

- Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the Hospital's financial position or results of operations.
- Healthcare Insurance Reciprocal of Canada (HIROC) was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. HIROC is licensed in Ontario, Manitoba, Saskatchewan, Alberta, Nova Scotia, Prince Edward Island, British Columbia, Northwest Territories, Yukon, Nunavut and Newfoundland and Labrador. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian healthcare organizations including the Hospital. Subscribers pay annual premiums, which are actuarially determined and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2021.

In fiscal 2015, the Hospital entered into an agreement with HIROC whereby HIROC continues to provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claim, previously included in the insurance premium, will be borne by the Hospital. Costs associated with claims arising prior to January 1, 2012 will be borne by HIROC. Projected costs of defending claims that arise subsequent to January 1, 2012 are based on claims defence costs incurred by HIROC in the past.

# North York General Hospital

## Notes to Financial Statements

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(in thousands of dollars)

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber that has an excess of premiums plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as at March 31, 2021.

iii) The Hospital has operating lease agreements with payments due approximately as follows:

	\$
2022	1,549
2023	1,563
2024	1,574
2025	1,709
2026	1,670
Thereafter	<u>13,484</u>
	<u>21,549</u>









# North York General Hospital (Mar 2021) Final FS

Final Audit Report

2021-06-07

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