Financial Statements of

ROYAL OTTAWA HEALTH CARE GROUP

And Independent Auditors' Report thereon

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Royal Ottawa Health Care Group

Opinion

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

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, its changes in fund balances, its cash flows, and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 29, 2022

ROYAL OTTAWA HEALTH CARE GROUP

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Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 15,899,264	$ 8,450,894
Short-term investments (note 3(a))	40,283,762	29,134,604
Accounts receivable (note 4)	3,535,386	1,811,805
Receivable from Provinces and Territories	4,961,889	16,719,721
Due from related entities (note 5)	2,738,822	1,058,219
Inventories	479,814	546,555
Prepaid expenses	3,890,376	3,137,420
	71,789,313	60,859,218
Restricted investments - building reserves (note 3(b))	15,277,446	16,939,442
Capital assets (note 6)	143,478,824	149,353,771
	$ 230,545,583	$ 227,152,431
Liabilities and Fund Balances		
Current liabilities:		
Payable to the Province of Ontario	$ 32,037,995	$ 19,959,368
Accounts payable and accrued liabilities	28,507,010	27,836,653
Due to related entities (note 5)	168,523	67,798
Advance payments for designated projects	1,365,229	1,179,929
Current portion of deferred revenue	2,004,666	2,524,924
Scheduled cash repayments of loans (note 7)	537,539	661,421
Current portion of capital lease obligation (note 7)	10,223,165	9,578,590
Current liabilities before callable debt	74,844,127	61,808,683
Callable debt (note 7)	2,045,035	2,582,575
	76,889,162	64,391,258
Long-term debt (note 7)	51,932,185	62,382,395
Deferred revenue	13,906,565	15,270,550
Deferred capital asset contributions (note 8)	61,240,281	57,135,218
Employee future benefits (note 12)	8,088,000	7,625,000
Due to external parties - vested benefits	126,422	161,015
	212,182,615	206,965,436
Fund balances:		
Internally restricted	2,067,653	1,807,714
Unrestricted	16,986,672	17,487,733
	19,054,325	19,295,447
Accumulated remeasurement gains (losses)	(691,357)	891,548
	18,362,968	20,186,995
Commitments, contingencies and guarantees (note 13)		
	$ 230,545,583	$ 227,152,431

See accompanying notes to financial statements.

Approved by the Board:

_________________ Director   _________________ Director

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Operations Fund	Non-Operations Fund	2022	2021
Revenue:				
Funding from the Province of Ontario:				
Ministry of Health/Local Health Integrated Network (note 15)	$ 146,609,680	$ 4,504,154	$ 151,113,834	$ 151,183,727
Ministry of Children and Youth Services	1,107,649	–	1,107,649	1,038,356
Ministry of the Solicitor General	16,628,875	–	16,628,875	16,596,765
Department of Veterans Affairs	7,454,342	–	7,454,342	7,184,419
Patient revenues	3,135,351	–	3,135,351	3,689,298
Differential revenues	139,757	–	139,757	173,629
Amortization of deferred contributions - major equipment	2,187,731	–	2,187,731	2,809,250
Amortization of deferred contributions - land, buildings, services	173,570	5,016,626	5,190,196	5,199,535
Recoveries and other revenue	8,291,277	–	8,291,277	4,128,520
Investment income	1,397,843	–	1,397,843	1,326,382
	187,126,075	9,520,780	196,646,855	193,329,881
Expenses:				
Salaries and wages	101,366,791	–	101,366,791	101,404,177
Employee benefits	28,336,623	–	28,336,623	29,091,197
Medical staff remuneration	11,919,409	–	11,919,409	11,461,439
Medical and surgical supplies	770,027	–	770,027	931,803
Drugs	1,890,966	–	1,890,966	1,563,605
Contracts and other expenses (note 11)	37,825,009	–	37,825,009	35,073,591
Amortization of equipment	4,258,066	–	4,258,066	4,591,246
Amortization of buildings and land improvements	464,286	5,384,954	5,849,240	5,840,597
Mortgage interest	167,692	4,504,154	4,671,846	5,304,393
	186,998,869	9,889,108	196,887,977	195,262,048
Excess (deficiency) of revenue over expenses before the undernoted	127,206	(368,328)	(241,122)	(1,932,167)
Ministry of Health working funds initiative (note 15)	–	–	–	9,105,300
Excess (deficiency) of revenue over expenses	$ 127,206	$ (368,328)	$ (241,122)	$ 7,173,133

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Changes in Fund Balances

Year ended March 31, 2022, with comparative information for 2021

	Operations		Non-Operations		
	Internally restricted	Unrestricted	Unrestricted	2022 Total	2021 Total
Fund balance, beginning of year	$ 1,807,714	$ 17,487,733	$ –	$ 19,295,447	$ 12,122,314
Excess (deficiency) of revenue over expenses	–	127,206	(368,328)	(241,122)	7,173,133
Transfer of ancillary revenue for local share of ROMHC Redevelopment Project	259,939	(628,267)	368,328	–	–
Fund balance, end of year	$ 2,067,653	$ 16,986,672	$ –	$ 19,054,325	$ 19,295,447

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Cash provided by (used in):				
Operating activities:				
Excess (deficiency) of revenue over expenses	$	(241,122)	$	7,173,133
Items not affecting cash:				
Amortization of deferred capital asset contributions		(7,377,927)		(8,008,785)
Amortization of capital assets		10,107,306		10,431,843
Decrease in due to external parties - vested benefits		(34,593)		(25,378)
Increase in employee future benefits		463,000		307,000
Changes in non-cash operating working capital items (note 10(a))		18,818,199		(3,206,721)
		21,734,863		6,671,092
Financing activities:				
Increase in deferred capital asset contributions		11,482,990		9,703,420
Principal repayments on long-term debt		(10,240,013)		(9,909,148)
		1,242,977		(205,728)
Investing activities:				
Purchase of capital assets		(4,232,359)		(3,594,003)
Net acquisitions on short-term investments		(12,185,212)		(2,170,188)
Net disposals (acquisitions) on restricted investments		888,101		(63,468)
		(15,529,470)		(5,827,659)
Increase in cash		7,448,370		637,705
Cash, beginning of year		8,450,894		7,813,189
Cash, end of year	$	15,899,264	$	8,450,894

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Remeasurement Gains and Losses

Year ended March 31, 2022, with comparative information for 2021

		2022		2021
Accumulated remeasurement gains (losses), beginning of year	$	891,548	$	(1,976,575)
Change in cumulative gains (losses) in the year:				
Realized gain on investments		339,341		180,518
Unrealized gain (loss) on investments		(2,149,290)		2,494,342
Derivatives (note 7(e)(ii))		227,044		193,263
Net remeasurement gains (losses) for year		(1,582,905)		2,868,123
Accumulated remeasurement gains (losses), end of year	$	(691,357)	$	891,548

See accompanying notes to financial statements.

1. Nature of entity:

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

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

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

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

(b) Revenue recognition and fund accounting:

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

(i) The Operations Fund includes the day-to-day transactions in regard to the operations of the Group. Unless otherwise specified, any interest earned is included in the Operations Fund.

(ii) The Non-Operations Fund includes transactions of a capital nature related to the funding and financing of the cost of construction and the life cycle costs of the ROH Redevelopment Project.

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

2. Significant accounting policies (continued):

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

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

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

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

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

(c) Financial instruments:

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

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

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

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

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

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

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

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

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

The Group presents investments that are available to fund ongoing operations and settle current liabilities as short-term investments. Investments that relate to building reserves are presented as long-term investments, as disclosed in note 3.

(d) Inventories:

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

2. Significant accounting policies (continued):

(e) Capital assets:

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

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

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

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

(f) Employee future benefits:

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

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

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

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 14 years (2021 - 14 years). The other retirement benefits plan does not have any active members.

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

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

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

(g) Contributed services:

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

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

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

3. Investments:

(a) Short-term investments:

	2022 Cost	2022 Carrying and fair value	2021 Cost	2021 Carrying and fair value
Cash, marketable securities and other short term	$ 2,393,573	$ 2,393,573	$ 946,364	$ 946,364
Government of Canada bonds, 1.75% to 2.9% (2021 - 1.75% to 5.00%) maturing June 2024 to December 2051 (2021 - March 2022 to December 2048)	3,247,548	3,081,337	2,624,708	2,622,225
Provincial bonds, 1.65% to 5.85% (2021 - 2.05% to 5.85%) maturing June 2022 to December 2051 (2021 - June 2021 to June 2048)	14,893,505	14,064,472	10,278,676	10,252,689
Canadian bond funds	6,222,237	5,797,096	4,679,396	4,720,687
Canadian equities	6,513,434	7,771,304	4,583,006	5,203,214
U.S. equities	4,269,925	4,664,115	2,773,482	3,178,265
International equities	2,608,885	2,511,865	2,078,263	2,211,160
	$ 40,149,107	$ 40,283,762	$ 27,963,895	$ 29,134,604

3. Investments (continued):

(b) Restricted investments - building reserves:

	2022 Cost	2022 Carrying and fair value	2021 Cost	2021 Carrying and fair value
Sinking fund trust investments:				
Cash, marketable securities and other short term	$ 131,981	$ 131,981	$ 91,934	$ 91,934
Government of Canada bonds, 1.60% to 2.90% (2021 - 1.75% to 5.00%) maturing June 2024 to December 2051 (2021 - March 2022 to December 2048)	248,932	235,711	275,803	275,378
Provincial bonds, 1.65% to 5.85% (2021 - 2.05% to 5.85%) maturing June 2022 to December 2051 (2021 - June 2021 to June 2048)	1,131,947	1,064,018	1,074,952	1,072,039
Canadian bond funds	471,188	437,267	489,683	494,167
Canadian equities	491,189	605,040	462,704	510,331
US equities	296,985	342,159	262,612	300,834
International equities	212,599	210,139	236,022	250,984
	$ 2,984,821	$ 3,026,315	$ 2,893,710	$ 2,995,667

3. Investments (continued):

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

	2022 Cost	2022 Carrying and fair value	2021 Cost	2021 Carrying and fair value
Life cycle reserve investments:				
Cash, marketable securities and other short term	$ 586,820	$ 586,820	$ 368,603	$ 368,603
Government of Canada bonds, 1.90% to 3.20% (2021 - 1.9% to 2.65%) maturing March 2025 to May 2035 (2021 - March 2022 to March 2028)	1,319,216	1,263,039	1,771,402	1,794,092
Provincial bonds, 1.65% to 3.50% (2021 - 2.05% to 4.1%) maturing June 2022 to December 2031 (2021 - June 2021 to June 2030)	7,560,008	7,169,656	8,063,579	8,088,182
Canadian corporate bonds, 2.62% to 4.93% (2021 – 2.62% to 4.93%) maturing April 2024 to May 2035 (2021 - July 2021 to May 2035)	2,569,873	2,372,350	2,829,683	2,851,770
	$ 12,035,917	$ 11,391,865	$ 13,033,267	$ 13,102,647
Facility reserve investments:				
Cash	$ 859,266	$ 859,266	$ 841,128	$ 841,128
Total building reserves - investments	$ 15,880,004	$ 15,277,446	$ 16,768,105	$ 16,939,442

3. Investments (continued):

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

(i) Building reserves - investments:

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

(ii) Sinking fund trust:

The Group is required to fund a portion of the cost of the Royal Ottawa Mental Health Centre (“ROMHC”) Redevelopment Project which will be met through various revenue streams as well as a $15,000,000 capital campaign which was undertaken by the Royal Ottawa Foundation for Mental Health. At March 31, 2022, the balance of the fund was $3,026,315 (2021 - $2,995,667).

(iii) Life cycle reserve:

The ROH Redevelopment Project agreements include a life cycle plan which recognizes that over time various capital parts of the new facility will need to be restored or replaced. The purpose of the account is to pay for certain capital costs regarding the new facility. At March 31, 2022, the balance of the fund was $11,391,865 (2021 - $13,102,647).

(iv) Facility reserve:

The ROH Redevelopment Project agreements include provision for modification to tenant space which recognizes that over time the facility space requirements will change. The purpose of the account is to pay for the Group's special initiatives in the facility. At March 31, 2022, the balance of the fund was $859,266 (2021 - $841,128).

(c) Fair value:

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

4. Accounts receivable:

	2022	2021
Accounts receivable	$ 4,369,467	$ 2,664,497
Allowance for doubtful accounts	(834,081)	(852,692)
	$ 3,535,386	$ 1,811,805

5. Related entities:

(a) Royal Ottawa Foundation for Mental Health:

The Group has an economic interest in the Royal Ottawa Foundation for Mental Health (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Group has a balance receivable from the Foundation in the amount of $2,055,486 (2021 - $440,715) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. During the year, the Foundation has transferred an amount of $981,865 (2021 - $672,649) to the Group as part of its capital campaign.

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

The Group has control over the University of Ottawa Institute of Mental Health Research (the "Institute") through its ability to elect the majority of voting board members. The Institute carries on and promotes scientific research for the benefit of the general public. The Group has a balance payable to the Institute in the amount of $346,810 (2021 - $218,431). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. The Group also has a balance receivable from the Institute of $178,287 (2021 - $150,633) relating to accrued payroll liabilities.

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

	2022	2021
Assets		
Other assets	$ 12,375,517	$ 10,844,306
Liabilities and Net Assets		
Liabilities:		
Other liabilities	$ 8,618,558	$ 7,598,839
Net assets	3,756,959	3,245,467
	$ 12,375,517	$ 10,844,306

5. Related entities (continued):

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

		2022		2021
Revenue	$	5,382,530	$	5,049,596
Expenses		4,702,301		4,352,590
Excess of revenue over expenses	$	680,229	$	697,006

(c) Royal Ottawa Volunteer Association:

The Group has an economic interest in the Royal Ottawa Volunteer Association (the “Association”). The Association assists the Group in improving the health, rehabilitation and well-being of patients by providing funding to the Group. The Group has a balance receivable from the Association in the amount of $13,614 (2021 - $2,501).

(d) NCE-IKTP Youth Mental Health:

The Group has an economic interest in the NCE-IKTP Youth Mental Health ("Frayme"). Frayme’s purpose is to transform youth mental health systems in Canada and around the world by establishing a platform to address urgent priorities, influencing internal services and policies, filling the gaps between research and the need for dissemination and clinical implementation and identifying gaps in research. The Group incurs some expenses on behalf of Frayme, for which Frayme reimburses the Group. The Group also provides certain administrative support services to Frayme at no charge. The Group has a balance receivable from Frayme of $177,904 (2021 - $89,497) relating to this reimbursement of expenses. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

(e) Friends of Royal Ottawa Foundation, Inc.

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

The Group has an economic interest in the Friends of Royal Ottawa Foundation, Inc. The Friends was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Friends of Royal Ottawa Foundation, Inc. has no amounts owing to the Group as at March 31, 2022. The Group has a balance payable to the Friends in the amount of $Nil (2021 - $Nil) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

5. Related entities (continued):

(f) Centre of Excellence on Post Traumatic Stress Disorder and Related Mental Health Conditions o/a Atlas Institute for Veterans and Families:

The Group has control over the Centre of Excellence on Post Traumatic Stress Disorder and Related Mental Health Conditions o/a Atlas Institute for Veterans and Families (the "Centre") through its ability to elect the majority of voting board members. The Centre's objective is to increase the Canadian expertise, knowledge creation and transfer of knowledge on the subject of Canadian military and Veteran mental health. The Group has a balance receivable from the Centre in the amount of $491,818 (2021 - $525,506). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

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

	2022	2021
Assets		
Total assets	$ 1,943,989	$ 3,492,848
Liabilities and Net Assets		
Liabilities:		
Due to Royal Ottawa Health Care Group	$ 491,818	$ 525,506
Other liabilities	1,419,670	2,950,579
	1,911,488	3,476,085
Net assets	32,501	16,763
	$ 1,943,989	$ 3,492,848

	2022	2021
Revenue	$ 8,968,552	$ 6,270,067
Expenses	8,952,814	6,260,522
Excess of revenue over expenses	$ 15,738	$ 9,545

5. Related entities (continued):

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

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

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

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

At March 31, 2022, the Group had an economic interest of 13.87% in OHFA (2021 - 13.87% in HFS) of total net assets of $380,101 (2021 - $3,022,205).

6. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 786,626	$ –	$ 786,626	$ 786,626
Buildings	22,850,100	9,075,262	13,774,838	13,390,538
Buildings - capital lease	157,750,427	59,446,632	98,303,795	102,187,716
Leasehold Improvements	27,880,206	11,896,872	15,983,334	17,029,371
Furniture, equipment and software	38,131,307	26,501,201	11,630,106	12,308,457
Medical equipment	13,346,473	10,733,985	2,612,488	3,200,748
Land improvements	1,568,751	1,181,114	387,637	450,315
	$ 262,313,890	$ 118,835,066	$ 143,478,824	$ 149,353,771

The Group disposed of assets with a cost of $4,324 (2021 - $Nil) and accumulated amortization of $4,324 (2021 - $Nil).

At March 31, 2021, cost and accumulated amortization amounted to $258,085,855 and $108,732,084, respectively.

7. Long-term debt:

	2022	2021
(a) Callable bank loan, unsecured, maturing May 1, 2024. The balance is repayable in monthly installments of $29,259 including principal and interest at the bank's public sector rate plus 0.29%.	$ 1,867,035	$ 2,073,060
Callable bank loan, unsecured, maturing May 11, 2029. The balance is repayable in monthly installments of $26,406 including principal and interest at the bank's public sector rate plus 0.29%.	715,539	1,018,117
Callable bank loan, unsecured, maturing July 15, 2021. The balance is repayable in monthly installments of $38,347 including interest at 1.77%.	–	152,819
Total loans	2,582,574	3,243,996
Capital lease obligation related to the Royal Ottawa Hospital Redevelopment Project. The obligation will be amortized over 248 months to June 2027, at an interest rate of 6.33%, with monthly principal and interest payments of $1,163,990.	61,931,896	71,510,487
Fair value of interest rate swaps (note 7(e))	223,454	450,498
	64,737,924	75,204,981
Less:		
Scheduled cash repayments of loans	537,539	661,421
Current portion of capital lease obligation	10,223,165	9,578,590
Callable debt	2,045,035	2,582,575
	12,805,739	12,822,586
	$ 51,932,185	$ 62,382,395

7. Long-term debt (continued):

(b) The Group has access to a $500,000 commercial letter of credit. At March 31, 2022, there were no standby letters of credit issued (2021 - $Nil).

(c) The Group has access to a $5,000,000 operating loan at a rate of prime less 0.85% per annum. At March 31, 2022, $Nil is outstanding.

(d) Canadian public sector accounting standards require that loans that the lender can require to be repaid on demand be classified as current liabilities.

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

	Loans	Capital lease	Total
2023	$ 537,539	$ 10,223,165	$ 10,760,704
2024	568,124	10,911,292	11,479,416
2025	301,754	11,645,921	11,947,675
2026	257,616	12,430,206	12,687,822
2027	272,419	13,267,511	13,539,930
2028 and thereafter	645,122	3,453,801	4,098,923
	$ 2,582,574	$ 61,931,896	$ 64,514,470

(e) Interest rate derivative agreements:

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

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

(i) Notional amounts:

The notional amount of the interest rate swaps at March 31, 2022 is $2,582,574 (2021 - $3,091,177).

7. Long-term debt (continued):

(e) Interest rate derivative agreements (continued):

(ii) Fair value:

The interest rate swaps have unrealized accumulated losses of $223,454 (2021 - $450,498) which are recorded in long-term debt as at March 31, 2022. The fair market value of the loans as at March 31, 2022, excluding the interest rate swaps impact, is $2,582,574 (2021 - $3,246,473) and the fair value of the capital lease obligation is $65,621,288 (2021 - $80,263,374). The current year impact of the change in fair value of the interest rate swap is an increase in accumulated remeasurement gains of $227,044 (2021 - $193,263). The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

8. Deferred capital asset contributions:

	2022	2021
Balance, beginning of year	$ 57,135,218	$ 55,440,583
Contributions for specified capital projects received during the year	11,482,990	9,703,420
Amount recognized as revenue during the year	(7,377,927)	(8,008,785)
Balance, end of year	$ 61,240,281	$ 57,135,218

9. Investment in capital assets:

The Group has $17,500,619 (2021 - $17,013,572) invested in capital assets, included in the unrestricted fund balance, calculated as follows:

	2022	2021
Capital assets	$ 143,478,824	$ 149,353,771
Amounts financed by:		
Long-term debt (note 7)	64,737,924	75,204,981
Deferred contributions related to capital assets (note 8)	61,240,281	57,135,218
	$ 17,500,619	$ 17,013,572

10. Statement of cash flows:

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

	2022	2021
Accounts receivable	$ (1,723,581)	$ 670,666
Receivable from Provinces and Territories	11,757,832	(14,927,674)
Due from/to related entities	(1,579,878)	(28,154)
Inventories	66,741	2,861
Prepaid expenses	(752,956)	13,094
Payable to the Province of Ontario	12,078,627	3,194,369
Accounts payable and accrued liabilities	670,357	5,937,675
Advance payments for designated projects	185,300	186,114
Current portion of deferred revenue	(520,258)	695,965
Deferred revenue	(1,363,985)	1,048,363
	$ 18,818,199	$ (3,206,721)

(b) Supplementary information:

	2022	2021
Interest paid during the year	$ 4,674,026	$ 5,311,431

11. Contracts and other expenses:

	2022	2021
Office supplies and rentals	$ 4,167,555	$ 4,105,965
Staff development and travel	873,962	518,834
Food, housekeeping and facility services	17,911,209	16,230,426
Data communication and software	2,689,880	2,483,898
Professional fees and services	4,778,413	3,855,151
Other supplies and expenses	7,403,990	7,879,317
	$ 37,825,009	$ 35,073,591

12. Employee future benefits:

(a) The Group has defined benefit plans that provide pension and other post-retirement benefits to most of its employees. The most recent actuarial valuation of employee future benefits for funding purposes was completed as at March 31, 2022 with the accounting valuation based on an extrapolation. The liabilities associated with these plans as at March 31 are as follows:

	2022	2021
Pensions - other (note 12(c))	$ 60,300	$ 63,500
Other employee future benefits (note 12(f))	8,027,700	7,561,500
	$ 8,088,000	$ 7,625,000

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to $8,415,633 (2021 - $8,218,422). These amounts are included in employee benefits expense in the statement of operations.

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

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

(c) Pensions - other:

The Group's accrued benefit obligation under supplementary retirement income programs for certain employees is unfunded. The actuarially determined expense for the year is $2,400 (2021 - $2,300), based on an extrapolation of a valuation as at April 1, 2021. Benefits paid during the year amounted to $5,500 (2021 - $5,500).

12. Employee future benefits (continued):

(d) Other employee future benefits:

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

The actuarially determined expense for these other employee future benefits during the year was $1,057,100 (2021 - $1,065,200), based on a valuations as of March 31, 2022. Benefits paid during the year amounted to $590,900 (2021 - $755,000).

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

	2022	2021
Discount rate for calculation of the pension expense	3.00%	3.10%
Discount rate to determine accrued benefit obligation	3.70%	3.00%
Salary rate increases	2.00%	3.00%
Dental cost increases	3.00%	3.00%
Extended healthcare cost increases	5.37%	5.37%

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

	2022	2021
Accrued benefit obligation	$ 9,214,500	$ 9,884,100
Unamortized actuarial losses	(1,186,800)	(2,322,600)
Employee future benefit liability	$ 8,027,700	$ 7,561,500

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

	2022	2021
Current service costs	$ 528,600	$ 527,400
Interest on accrued benefit obligation	298,700	304,500
Amortization of net experience losses	229,800	233,300
Benefit payments made by the Hospital	(590,900)	(755,000)
	$ 466,200	$ 310,200

13. Commitments, contingencies and guarantees:

(a) In the normal course of operations, the Group provides indemnification agreements with various counterparties in transactions such as service agreements, software licenses, leases, and purchases of goods. Under these agreements, the Group agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Group in relation to the agreement. The nature of the indemnification agreements prevents the Group from making a reasonable estimate of the maximum potential amount that the Group would be required to pay such counterparties.

(b) The Group has committed to continue to purchase food products through an agreed upon supply agreement with OHFA for three years ending May 2022.

(c) The Group outsourced its hotel and facility services to EllisDon (formerly "THICC") in November 2006. The Group must offer employment to those EllisDon staff currently providing service to the Group, on terms and conditions no less favourable than those they experienced with EllisDon if the employees return to the Group.

(d) Commitments:

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

2023	$	2,463,432
2024		1,956,705
2025		1,936,906
2026		1,919,313
2027		1,345,610
Thereafter		969,893
	$	10,591,859

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

13. Commitments, contingencies and guarantees (continued):

(f) The Group is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2022.

14. Financial risks:

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

(a) Credit risk:

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

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

An amount of $834,081 (2021 - $852,692) has been provided for an impairment allowance. The maximum exposure to credit risk of the Group at March 31, 2022 is the carrying value of these assets. The maximum exposure to investment credit risk is outlined in note 3.

(b) Market risk:

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

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

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

14. Financial risks (continued):

(b) Market risk (continued):

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Group's cash flows, financial position and investment revenue. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2022, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of $1,795,175 (2021 - $1,502,716) on the value of the bond portfolio.

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

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

(ii) Currency risk:

Foreign currency exposure arises from the Group's holdings of foreign cash balances, equities and bonds. The Group monitors foreign cash balances and adjusts these to meet operating requirements. The Group’s exposure to investments denominated in foreign currencies is $7,728,278 (2021 - $5,941,243).

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Group is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2022, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Group’s equities of approximately $1,425,300 (2021 - $1,214,511).

(d) Liquidity risk:

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

Derivative financial liabilities mature as described in note 7.

14. Financial risks (continued):

It is management's opinion that the Group is not exposed to significant market, credit, or liquidity risks arising from these instruments. These risks have not significantly changed from 2021.

15. Ministry of Health ("MOH") and Ministry of Long-Term Care ("MOLTC") pandemic and other funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), and other events, the MOH and MOLTC has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19 and other related events. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Group, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH and MOLTC revenue for COVID-19 is based on the most recent guidance provided by MOH and MOLTC and the impacts of COVID-19 on the Group's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information.

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

	2022	2021
Ministry of Health:		
Funding for incremental COVID-19 operating expenses	$ 1,297,568	$ 2,810,283
Funding for revenue losses resulting from COVID-19	–	933,704
Funding for Nurses Retention Incentive	1,054,741	–
Funding for Temporary PSW Wage Enhancement	84,343	40,673
	$ 2,436,652	$ 3,784,660

	2022	2021
Ministry of Long-Term Care:		
Funding for incremental COVID-19 operating expenses	$ 652,198	$ 738,163
Funding for Temporary PSW Wage Enhancement	203,544	89,812
	$ 855,742	$ 827,975

16. Impact of Coronavirus COVID-19 pandemic:

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

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

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

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

The Group continues to respond to the pandemic and plans for continued operational and financial impacts during the next fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

17. Comparative information:

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