



Consolidated Financial Statements

Thunder Bay Regional Health Sciences
Centre

March 31, 2022

Thunder Bay Regional Health Sciences Centre

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Thunder Bay Regional Health Sciences Centre ['TBRHSC'] are the responsibility of management and have been approved by the Board of Directors [the 'Board'].

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the consolidated financial statements necessarily involves management's judgement and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

TBRHSC maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee [the 'Committee']. The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.



Dr. Rhonda Crocker Ellacott HBScN, M.A., Ed.D
President & CEO



Peter Myllymaa CPA, CA
Vice President, Operations,
Clinical & Support Services
and Chief Financial Officer

Independent Auditor's Report

To the Members of Thunder Bay Regional Health Sciences Centre

Opinion

We have audited the consolidated financial statements of Thunder Bay Regional Health Sciences Centre (the "Centre"), which comprise the consolidated statement of financial position as at March 31, 2022 and the consolidated statements of operations, re-measurement gains and losses, changes in net assets (debt), and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay Regional Health Services Centre as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Centre'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 Centre'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 consolidated 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 Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Centre and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Grant Thornton LLP

Thunder Bay, Canada
June 1, 2022

Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	March 31 2022	March 31 2021
[In thousands of dollars]	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	17,458	—
Investments – current [note 2]	6,158	5,925
Accounts receivable [note 3]	22,768	44,835
Due from related entities [note 4]	547	461
Mortgages receivable – current [note 5]	1,090	1,049
Inventory of supplies	5,740	6,567
Prepaid expenses	5,474	5,724
	59,235	64,561
Investments – long-term [note 2]	2,222	2,153
Mortgages receivable – long-term [note 5]	15,777	16,825
Capital assets, net [note 6]	170,225	175,147
	247,459	258,686
LIABILITIES		
Current Liabilities		
Bank indebtedness	—	3,327
Accounts payable and accrued liabilities [note 7]	56,714	61,423
Debt – current [note 8]	2,879	2,581
Deferred revenue [note 9]	4,655	5,480
	64,248	72,811
Debt – long-term [note 8]	32,890	34,611
Asset retirement obligation [note 10]	189	—
Deferred capital contributions [note 11]	115,574	124,552
Employee future benefits [note 12]	12,378	12,240
	225,279	244,214
NET ASSETS (DEBT)		
Investment in capital assets [note 13]	34,826	32,255
Internally restricted for equipment replacement [note 14]	9,243	16,360
Unrestricted, used for operating purposes	(25,285)	(34,605)
Internally restricted for operating purposes [note 15]	2,054	1,033
Accumulated re-measurements losses	1,342	(571)
	22,180	14,472
	247,459	258,686

Commitments and contingencies [note 21]

See accompanying notes

On behalf of the Board:


Director


Director

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

[In thousands of dollars]	Budget	2022	2021
	\$	\$	\$
	<i>[note 24]</i>		
REVENUE			
Ontario Ministry of Health / Ontario Health North <i>[note 20]</i>	316,974	353,986	348,268
Patient services	31,521	33,530	27,314
Investment income	318	685	269
Amortization of deferred capital contributions <i>[note 11]</i>	15,327	15,763	16,269
Other revenue	26,459	31,427	25,033
	390,599	435,391	417,153
EXPENSES			
Amortization			
Equipment, furnishings and computer system	10,376	10,167	10,820
Buildings and building service equipment	12,545	12,425	12,230
Drugs	23,319	28,931	26,669
Employee benefits	52,268	54,612	52,898
Medical and surgical supplies	25,286	29,435	25,351
Medical staff remuneration	30,974	35,724	32,973
Salaries and wages	192,805	197,444	199,752
Supplies and other	47,026	60,858	56,764
	394,599	429,596	417,457
Deficiency of revenue over expenses for year	(4,000)	5,795	(304)
Ontario Ministry of Health – working funds <i>[note 20]</i>	—	—	11,410
Excess (deficiency) of revenue over expenses for year	(4,000)	5,795	11,106

Community Mental Health services *[note 16]*

Other funded programs *[note 17]*

See accompanying notes

Thunder Bay Regional Health Sciences Centre

**CONSOLIDATED STATEMENT OF RE-MEASUREMENT
GAINS AND LOSSES**

Year ended March 31

	2022	2021
[In thousands of dollars]	\$	\$
Accumulated re-measurement losses, beginning of year	(571)	(3,971)
Unrealized gains attributable to:		
Foreign exchange	16	60
Portfolio investments	29	641
Derivatives	1,868	2,699
Net re-measurement gains for the year	1,913	3,400
Accumulated re-measurement gains (losses), end of year	1,342	(571)

See accompanying notes

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS (DEBT)

Year ended March 31

[In thousands of dollars]

	2022					2021	
	Investment in capital \$	Internally restricted for equipment replacement \$	Internally restricted for operating purposes \$	Unrestricted, used for operating purposes \$	Accumulated re- measurement gains (losses) \$	Total \$	Total \$
	<i>[note 13]</i>	<i>[note 14]</i>	<i>[note 15]</i>				
Net assets (debt) at beginning of year	32,255	16,360	1,033	(34,605)	(571)	14,472	(34)
Excess (deficiency) of revenue over expenses for year	(7,043)	—	—	12,838	—	5,795	11,106
Net re-measurement gains for the year	—	—	—	—	1,913	1,913	3,400
Internally restricted for operating purposes	—	—	1,021	(1,021)	—	—	—
Internally restricted for equipment replacement	—	(7,117)	—	7,117	—	—	—
Net change in investment in capital	9,614	—	—	(9,614)	—	—	—
Net assets (debt) at end of year	34,826	9,243	2,054	(25,285)	1,342	22,180	14,472

See accompanying notes

Thunder Bay Regional Health Sciences Centre

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2022	2021
[In thousands of dollars]	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for year	5,795	11,106
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash:		
Amortization of capital assets in operations	22,592	23,050
Amortization of deferred capital contributions in operations	(15,763)	(16,269)
Loss on disposal or impairment of capital assets and grants	214	3,029
Employee future benefits <i>[note 12]</i>	138	48
Changes in non-cash operational balances <i>[note 18]</i>	17,524	(18,784)
Proportionate share of income <i>[note 2]</i>	(69)	(68)
Cash provided by operating activities	30,431	2,112
CAPITAL ACTIVITIES		
Additions to capital assets	(17,884)	(15,006)
Funding for capital assets	6,785	8,268
Cash used in capital activities	(11,099)	(6,738)
INVESTMENT ACTIVITIES		
Purchase of investments	(233)	(682)
Cash used in investment activities	(233)	(682)
FINANCING ACTIVITIES		
Proceeds from mortgage receivable	1,007	969
Receipt (payment) of long-term debt	679	(381)
Cash provided by financing activities	1,686	588
Increase (decrease) in cash and cash equivalents during year	20,785	(4,720)
Cash and cash equivalents (bank indebtedness), beginning of year	(3,327)	1,393
Cash and cash equivalents (bank indebtedness), end of year	17,458	(3,327)

See accompanying notes

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

GENERAL

Thunder Bay Regional Health Sciences Centre (“TBRHSC”) is incorporated under the laws of Ontario as a corporation without share capital. Its principal activity is to provide specialized and general hospital-based health care to the people of Thunder Bay and Northwestern Ontario. TBRHSC is a registered charity under the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards (PS 4200 – 4270) for government not-for-profit organizations as issued by the Public Sector Accounting Board (PSAB).

[a] Basis of presentation

These consolidated financial statements reflect the assets, liabilities and operations of TBRHSC. TBRHSC consolidates the financial activities of a controlled entity that provides research services.

These consolidated financial statements include the assets, liabilities and operations of Thunder Bay Regional Health Research Institute (“TBRHRI”), a controlled entity. The purpose of TBRHRI is establishing and operating a patient-centred medical and scientific research institute. TBRHSC, as an academic health sciences centre, is required to conduct research as part of its mandate. TBRHRI conducts research activities on behalf of TBRHSC. TBRHSC continues to fully support TBRHRI, both for the research it provides and the financial resources required to carry out this research. TBRHRI is a not-for-profit organization and incorporated under the laws of Ontario without share capital. All inter-entity balances and transactions between TBRHSC and TBRHRI have been eliminated from the consolidated financial statements.

[b] Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, TBRHSC is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health [the “MOH”] and Ontario Health North [“OHN”]. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These consolidated financial statements reflect funding approved by the MOH and OHN with respect to the year ended March 31, 2022.

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

Revenue from the Provincial Insurance Plan, preferred accommodation and marketed services is recognized when the goods are sold or the service is provided. Investment revenue is recognized when earned using the effective rate at the time of transaction.

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

Contributions received for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

[c] 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, contributed services are not recognized in the consolidated financial statements.

[d] Inventory

Inventory of general, medical and surgical supplies is valued at the lower of average cost and replacement value, whereas drugs and medical gases are carried at the lower of cost and replacement value on a first-in, first-out basis.

[e] Investments

[i] Short-term investments

Short-term investments are recorded at market value.

[ii] Long-term investments

Long-term investments in shares of corporations over which TBRHSC does not exercise significant influence are recorded at market value. If no quoted market price is available, long-term investments are recorded at cost.

Long-term investments in which TBRHSC has the ability to exercise significant influence over the investee are recorded using the modified equity method. This method of accounting recognizes a proportionate share of the income or loss of the investee to reflect the same result on the statement of operations as if the investee's operations were consolidated.

[f] Derivatives

TBRHSC has entered into interest rate swap agreements as an economic hedge to manage the volatility to interest rates relating to its debt. Derivatives are initially recorded at fair value and are revalued at each financial statement date using fair value. The change in fair value of the swaps is recorded in the statement of re-measurement gains and losses.

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

[g] Financial instruments

TBRHSC designates its cash and short-term, highly liquid, readily convertible, investments that are subject to an insignificant risk of change value and generally have a maturity of three months or less as cash and cash equivalents for the purpose of meeting short-term cash commitments rather than for investing.

Investments are measured at fair value if reasonably determinable through a quoted market price, or alternatively at cost in the absence of a quoted market price.

Unrealized gains and losses from changes in the fair value are recognized in the statement of re-measurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Accounts receivable, amounts due from related entities, mortgages receivable, accounts payable and long-term debt are measured at amortized cost.

All financial assets are tested annually for impairment. Where a decline in value is determined to be other than temporary, impairment losses are recorded in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of short-term and restricted investments are determined using Level 1 inputs and the fair value of the derivatives are determined using Level 2 inputs.

[h] Exchange translation

A portion of TBRHSC's activities are transacted in U.S. dollars. Transactions denominated in U.S. dollars are translated to Canadian dollars by applying average exchange rates in effect during the month in which the transaction occurred. At year-end, monetary assets and liabilities denominated in U.S. dollars are translated using the exchange rate at that date. Any resulting exchange gains and losses are included in the consolidated statement of operations in the current year.

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

[i] Capital assets including capital leases

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are capitalized and amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. The cost of renovations to TBRHSC buildings, which significantly increase useful life and capacity, are capitalized. Betterments which extend the estimated life of an asset are capitalized. When capital assets no longer contribute to TBRHSC's ability to provide services, its carrying amount is written-down to its net realizable value.

Construction in progress is stated at cost, which comprises all direct and indirect costs of construction. Construction in progress is transferred to land improvements, buildings and building service equipment and amortization of the asset commences when construction is complete and the facility is put into use or the asset is available for productive use.

Capital assets are amortized on a straight-line basis using the Canadian Institute for Health Information's Guidelines for Management Information Systems in Canadian Health Service Organizations published annual rates, in effect at the time of acquisition. The annual rates in use by TBRHSC are as follows:

Land improvements, buildings and building service equipment	2.5% - 20%
Equipment, furnishings and computer system	5% - 33.3%

[j] Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with TBRHSC's benefit plans for vacation, sick leave and retirement allowances.

[k] Employee benefit plans

TBRHSC accrues its obligation for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are recognized during the period of plan amendment.

TBRHSC is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. TBRHSC has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. TBRHSC records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

[1] Management's estimates

The preparation of consolidated financial statements, in conformity with Public Sector Accounting Standards for Government Not-for-Profit Organizations, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are determined using a consistent approach year over year. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

The most significant estimate in these consolidated financial statements include allowance for doubtful accounts receivable, amortization and impairment of capital assets, actuarial estimate of employee future benefits and fair value of derivatives.

2. INVESTMENTS

Investments are comprised of short-term, long-term and restricted investments carried at fair value as follows:

Short-term investments

	2022	2021
	\$	\$
Short-term deposits	2,145	2,124
Marketable securities	4,013	3,801
	6,158	5,925

Fair value measurements for the short-term investments and marketable securities are those derived from quoted prices in active markets.

The short-term deposits have varying interest rates between 1.79% and 2.92% and a maturity date of June 2028.

Marketable securities consist of equity instruments in publicly traded companies.

Long-term investments

Fair value measurement for the long-term investments are those derived from inputs other than quoted process.

	2022	2021
	\$	\$
1561265 Ontario Limited	704	685
Radialis Inc., Tornado Spectral Systems, Inc. and Perimeter Medical Imaging AI, Inc.	1	1
2359031 Ontario Inc.	1,517	1,467
	2,222	2,153

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

- [a] The investment in 1561265 Ontario Limited is valued using the modified equity method and represents TBRHSC's original investment in the corporation and its proportionate share of earnings accrued to March 31, 2022. 1561265 Ontario Limited owns and operates the Medical Centre located on TBRHSC's property. During the year, TBRHSC recognized income of \$19 [2021 – \$18] related to its proportionate share of earnings from operations to March 31, 2022. Rental expense paid by TBRHSC to 1561265 Ontario Limited for office space leased during the year amounted to \$1,555 [2021 – \$1,596]. The amount receivable from 1561265 Ontario Limited for the land leased and interest accrued during the year amounted to \$284 [2021 – \$288].
- [b] The investment in 2359031 Ontario Inc. is valued using the modified equity method. The \$1,500 represents an equity investment to 2359031 Ontario Inc. 2359031 Ontario Inc. owns and operates the Health Services Building located on TBRHSC's property. During the year, TBRHSC recognized income of \$50 [2021 – \$50] related to its proportionate share of earnings from operations to March 31, 2022. Rental expense paid by TBRHSC to 2359031 Ontario Inc. for office space leased during the year amounted to \$1,056 [2021 – \$973]. Interest accrued during the year amounted to \$120 [2021 – \$120] and the amount receivable from 2359031 Ontario Inc. is \$457 [2021 - \$458].
- [c] Through its consolidation with Thunder Bay Regional Health Research Institute (TBRHRI), TBRHSC has access to their share ownership in Radialis Inc., Tornado Spectral Systems, Inc. and its spin-off company, Perimeter Medical Imaging AI, Inc. Due to the start-up nature of these companies, shares are valued at nominal amounts.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2022	2021
	\$	\$
Ontario Ministry of Health / Ontario Health North	8,077	35,159
Accrued interest	23	78
Other non-patient accounts	9,426	6,451
Patient accounts	3,488	1,476
Provincial Insurance Plan	2,097	2,014
	23,111	45,178
Less allowance for doubtful accounts	(343)	(343)
	22,768	44,835

4. RELATED ENTITIES

Amounts due from related entities consist of the following:

	2022	2021
	\$	\$
Thunder Bay Regional Health Sciences Foundation	547	461
	547	461

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

Thunder Bay Regional Health Sciences Foundation ["TBRHSF"] is incorporated as a not-for-profit corporation without share capital under the Corporations Act (Ontario) and is governed by an independent Board of Directors. Its principal activity is the raising of capital and research funds for TBRHSC and regional health and research facilities. The net assets and results from operations of TBRHSF are not included in these consolidated financial statements. During the current fiscal year, TBRHSF paid TBRHSC \$6,300 [2021 – \$5,579] for capital funding and reimbursement of other expenses less \$2,051 [2021 – \$1,433] paid to TBRHSF for parking facilities.

5. MORTGAGES RECEIVABLE

	2022	2021
	\$	\$
Receivable monthly in payments of \$84 with principal and interest, ending June 13, 2038, secured by a mortgage of lease and limited guarantees from the shareholders of 2359031 Ontario Inc. The interest rate is 3.85%.	12,173	12,699
Receivable monthly in payments of \$55 with principal and interest, ending July 1, 2030, secured by a mortgage of lease and limited guarantees from the shareholders of 1561265 Ontario Limited. The interest rate is 3.60%.	4,694	5,175
	16,867	17,874
Less current portion	(1,090)	(1,049)
	15,777	16,825

Principal receivable payments required for the next five years are as follows:

	\$
2023	1,090
2024	1,086
2025	1,127
2026	1,169
2027	1,214
Thereafter	11,181
	16,867

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

6. CAPITAL ASSETS

Details of year-end capital assets balances are as follows:

	2022		2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	1,292	—	1,292	—
Land Improvements, buildings and building service equipment	311,882	200,481	309,909	188,056
Construction in progress	5,997	—	2,685	—
Equipment, furnishings and computer system	255,601	204,066	244,522	195,205
	574,772	404,547	558,408	383,261
Capital assets, net	170,225		175,147	

Construction in progress pertains to building improvements and related service equipment not yet completed during the year or available for productive use.

Capital assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying value exceeds its recoverable amount, which is the higher of expected future cash flows less costs of disposal and value-in-use. Management has determined that no assets are carried at more than their recoverable amount.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022 \$	2021 \$
Accounts payable and accrued liabilities	30,827	30,996
Accrued salaries and wages	25,887	30,427
	56,714	61,423

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

8. DEBT

	2022 \$	2021 \$
The Toronto-Dominion Bank		
Loan payable monthly in payments of \$80 principal and interest, ending May 2038, secured by assignment of term deposits and credit balances. The interest rate is 3.33%. Total payments in the year amounted to \$957 [2021 – \$957] and included interest payments of \$408 [2021 – \$426].	11,950	12,499
Loan payable monthly in payments of \$53 principal and interest, ending May 2030, secured by assignment of term deposits and credit balances. The interest rate is 3.04%. Total payments in the year amounted to \$637 [2021 – \$637] and included interest payments of \$148 [2021 – \$162].	4,602	5,091
Loan payable monthly in payments of \$20 principal and interest, ending October 2034, secured by an assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.54%. Total payments in the year amounted to \$237 [2021 – \$237], and included interest payments of \$88 [2021 – \$93].	2,409	2,558
Loan payable monthly in payments of \$15 principal and interest, ending October 2036, secured by an assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.62%. Total payments in the year amounted to \$176 [2021 – \$176], and included interest payments of \$74 [2021 – \$78].	1,990	2,092
Loan payable monthly in principal payments of \$11 plus interest ending October 2036, secured by an assignment of term deposits, credit balances and share pledge agreement. The interest rate is prime less 0.75%. Total payments in the year amounted to \$153 [2021 – \$155], and included interest payments of \$23 [2021 – \$25].	1,285	1,415
Loan payable monthly in principal payments of \$32 plus interest ending September 2036, secured by assignment of term deposits, credit balances and share pledge agreement. The interest rate is 2.99%. Total payments in the year amounted to \$386 [2021 – \$386], and included interest payments of \$139 [2021 – \$147].	4,542	4,789
Loan payable monthly in principal payments of \$39 plus interest ending November 2035, secured by assignment of term deposits and credit balances. The interest rate is 2.06%. Total payments in the year amounted to \$465 [2021 – \$155] and included interest payments of \$117 [2021 – \$41].	5,538	5,886
Loan payable monthly in principal payments of \$11 plus interest ending February 2029, secured by assignment of term deposits, credit balances and share pledge agreement. The interest rate is 3.05%. Total payments in the year amounted to \$137 [2021 – \$137], and included interest payments of \$28 [2021 – \$31].	854	963
Subtotal, continued on next page	33,170	35,293

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

March 31, 2022

	2022	2021
	\$	\$
Subtotal, continued from previous page	33,170	35,293
Olympus Canada Inc., Medical Systems Group		
Capital lease ending March 2027, payable in minimum monthly payments of \$49.	2,912	—
Leica Microsystems Canada		
Capital lease ending July 2023, payable in minimum monthly payments of \$5.	158	219
Boston Scientific Ltd.		
Capital lease ending March 2025, payable in minimum monthly payments of \$2.	87	—
Roche Diagnostics		
Capital lease ending December 2024, payable in minimum monthly payments of \$1.	44	60
Biomérieux		
Capital lease ending February 2023, payable in minimum monthly payments of \$1.	7	16
Pentax Medical		
Capital lease ending March 2022, payable in minimum monthly payments of \$29.	—	346
	36,378	35,934
Less current portion	(2,879)	(2,581)
Add fair value adjustment of derivatives	(609)	1,258
	32,890	34,611

Principal payments required for the next five years assuming refinancing at similar terms are as follows:

	\$
2023	2,879
2024	2,934
2025	2,969
2026	2,960
2027	3,029
Thereafter	21,607
	36,378

In June 2013, TBRHSC entered into two interest rate swaps.

The loan of a notional amount of \$14,000 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.33%. The maturity date of the interest rate swap is May 31, 2038. The lender has an early termination option to settle the interest rate swap on May 29, 2033.

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The loan of a notional amount of \$7,700 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.04%. The maturity date of the interest rate swap is May 31, 2030.

In October 2014, TBRHSC entered into two additional interest rate swaps.

The loan of a notional amount of \$3,400 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.54%. The maturity date of the interest rate swap is October 10, 2034.

The loan of a notional amount of \$2,500 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.62%. The maturity date of the interest rate swap is October 7, 2036.

In September 2016, TBRHSC entered into an interest rate swap.

The loan of a notional amount of \$5,812 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 2.99%. The maturity date of the interest rate swap is September 30, 2036.

In February 2019, TBRHSC entered into an interest rate swap.

The loan of a notional amount of \$1,180 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 3.05%. The maturity date of the interest rate swap is February 22, 2029.

In March 2020, TBRHSC entered into an interest rate swap.

The loan of a notional amount of \$6,000 is through an interest rate swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 2.06%. The maturity date of the interest rate swap is November 30, 2035.

The fair value of the interest rate swap agreement is estimated based on amounts determined by the counterparty. As at March 31, 2022, the interest rate swap agreements were in a net favorable position representing an asset of \$609 [2021 - (\$1,258)] and have been recognized in the statement of financial position.

9. DEFERRED REVENUE

	2022	2021
	\$	\$
Grants, operating, education and research	3,735	5,016
Information systems project funding	890	455
Other	30	9
	4,655	5,480

Thunder Bay Regional Health Sciences Centre

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[All amounts in thousands of dollars]

March 31, 2022

10. ASSET RETIREMENT OBLIGATION

An asset retirement obligation is a legal financial obligation associated with the retirement of a tangible capital asset in which a duty or responsibility exists to properly remove or dispose of the tangible capital asset at some future date. Management has determined an asset retirement obligation in the amount of \$189 [2021 – \$NIL] using the present value discount rate of 3.89%.

	2022	2021
	\$	\$
Asset retirement obligation, beginning of year	—	—
Liabilities incurred	189	—
Liabilities settled	—	—
Accretion expense	—	—
Revision of estimate	—	—
Asset retirement obligation, end of year	189	—

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2022	2021
	\$	\$
Balance, beginning of year	124,552	137,622
Additional contributions allocated to capital assets	6,785	3,199
	131,337	140,821
Less amounts amortized to revenue in operations	(15,763)	(16,269)
	115,574	124,552

Represented by

	2022	2021
	\$	\$
Deferred capital contributions for equipment, furnishings and computer system	27,449	27,592
Deferred capital contributions for buildings and building service equipment	88,125	96,960
	115,574	124,552

12. EMPLOYEE FUTURE BENEFITS

TBRHSC provides extended health care, dental and life insurance benefits to substantially all full-time employees. Most employee groups are entitled to continue to receive certain benefits upon

Thunder Bay Regional Health Sciences Centre

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[All amounts in thousands of dollars]

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early retirement until they reach age 65 or 70, dependent on the group affiliation. Some groups are responsible for paying 25% or 100% of the premium and six groups have introduced a 50% split cost for those employees retiring on or after age 57.

The following table outlines the Centre's employee future benefits liability.

	2022	2021
	\$	\$
Accrued employee future benefit obligations	9,559	10,615
Unamortized actuarial gains	2,819	1,625
Employee future benefits liability	12,378	12,240

The most recent actuarial estimate provided was effective March 31, 2022.

The significant actuarial assumptions adopted in estimating TBRHSC's accrued benefit obligation are as follows:

Discount rate	3.25%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - extended health care	6.0% decreasing by 0.25% per year to an ultimate of 4%.

Included in employee benefits on the statement of operations is an amount of \$138 [2021 – \$48] regarding employee future benefits. The amount is comprised of:

	2022	2021
	\$	\$
Current year benefit cost	621	553
Amortization of actuarial gains	(208)	(258)
Interest on accrued obligation	345	362
	758	657
Less benefit payments	(620)	(609)
	138	48

Thunder Bay Regional Health Sciences Centre

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[All amounts in thousands of dollars]

March 31, 2022

13. INVESTMENT IN CAPITAL ASSETS

[a] Investment in capital assets is calculated as follows:

	2022	2021
	\$	\$
Capital assets	170,225	175,147
Amounts financed by deferred contributions	(115,574)	(124,552)
Amounts financed by long-term debt	(19,825)	(18,340)
	34,826	32,255

[b] Change in net assets invested in capital is calculated as follows:

	2022	2021
	\$	\$
Shortfall of revenue over expenses		
Amortization of deferred capital contributions	15,763	16,269
Amortization of property, plant and equipment	(22,592)	(23,050)
Loss on disposal or impairment of capital assets and grants	(214)	(3,029)
	(7,043)	(9,810)

[c] Net change in investment in capital:

	2022	2021
	\$	\$
Purchase of property, plant and equipment, net of financing	17,884	15,006
Funding for property, plant and equipment, allocated	(9,785)	(9,451)
Repayment of long-term debt	1,515	1,263
	9,614	6,818

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[All amounts in thousands of dollars]

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14. NET ASSETS – INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT

As part of the negotiated Post Construction Operating Plan, TBRHSC received base funding for increased equipment amortization. The intent of the funding was to establish a reserve over a seven-year period to assist in the future replacement of equipment.

At year-end, the following fund balances had been expended:

	2022	2021
	\$	\$
Balance, beginning of year	16,360	18,870
Expended during the year	(7,117)	(2,510)
	9,243	16,360

15. NET ASSETS - INTERNALLY RESTRICTED FOR OPERATING PURPOSES

Internally restricted net assets are not available for use by TBRHSC for any purpose other than that identified by the Board of Directors. In 2022, \$1,308 was established as an internally restricted net asset to support various health information and cybersecurity projects. During the year, \$287 [2021 - \$NIL] had been expended.

At year-end, the following fund balances had been designated:

	2022	2021
	\$	\$
Balance, beginning of year	1,033	82
Designated during the year	1,308	951
Expended during the year	(287)	—
	2,054	1,033

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[All amounts in thousands of dollars]

March 31, 2022

16. COMMUNITY MENTAL HEALTH SERVICES

Community Mental Health Services are fully funded by the Ontario Ministry of Health/Ontario Health North by designated funding envelopes. The financial results are recognized in the consolidated statement of operations.

	Budget	2022	2021
	\$	\$	\$
	<i>[note 24]</i>		
REVENUE			
Ontario Ministry of Health / Ontario Health North	5,506	5,697	5,491
Amortization of deferred capital contributions <i>[note 11]</i>	1	1	1
Other revenue	—	88	105
	5,507	5,786	5,597
EXPENSES			
Amortization			
Equipment, furnishings and computer system	—	1	2
Employee benefits	807	957	866
Medical and surgical supplies	1	6	2
Medical staff remuneration	567	533	682
Salaries and wages	3,663	3,821	3,624
Supplies and other	469	468	421
	5,507	5,786	5,597
Excess of revenue over expenses for year	—	—	—

Thunder Bay Regional Health Sciences Centre

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March 31, 2022

17. OTHER FUNDED PROGRAMS

Other funded programs consist of services that are funded by the Ontario Ministry of Health/Ontario Health North by designated funding envelopes and other activities, such as research, that are fully funded by other sources. The financial results are recognized in the consolidated statement of operations.

	Budget	2022	2021
	\$	\$	\$
	<i>[note 24]</i>		
REVENUE			
Ontario Ministry of Health / Ontario Health North	2,177	2,273	2,852
Amortization of deferred capital contributions <i>[note 11]</i>	—	—	—
Other revenue	142	144	140
	2,319	2,417	2,992
EXPENSES			
Drugs	2	1	2
Employee benefits	243	275	272
Medical and surgical supplies	6	7	7
Medical staff remuneration	272	293	264
Salaries and wages	1,108	1,144	1,201
Supplies and other	688	857	1,246
	2,319	2,577	2,992
Excess of revenue (deficiency) over expenses for year	—	(160)	—

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[All amounts in thousands of dollars]

March 31, 2022

18. STATEMENT OF CASH FLOWS

The net change in non-cash operational balances related to operations is represented by the following:

	2022	2021
	\$	\$
Accounts receivable	22,067	(29,197)
Due from related entities	(86)	(209)
Inventory of supplies	827	(2,047)
Prepaid expenses	250	(1,630)
Accounts payable and accrued liabilities	(4,709)	12,032
Deferred revenue	(825)	2,267
	17,524	(18,784)

19. PENSION PLAN

Substantially all of the employees of TBRHSC and its controlled entity are members of the Healthcare of Ontario Pension Plan [the "Plan"], which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length-of-service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest average earnings.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with contributions by employees, 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 to be funded proportionately by the employees and the employer. The most recent actuarial valuation of the Plan as at December 31, 2021 indicates the Plan is 120% funded. The majority of employees of TBRHSC and its controlled entity are members of Healthcare of Ontario Pension Plan. Contributions to the Plan made during the year by TBRHSC and its controlled entity on behalf of its employees amounted to \$16,529 [2021 – \$16,090] and are included in the statement of operations.

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[All amounts in thousands of dollars]

March 31, 2022

20. ONTARIO MINISTRY OF HEALTH / ONTARIO HEALTH NORTH FUNDING

Revenue from the MOH and OHN has been calculated in accordance with MOH and OHN policy and is subject to final approval by the MOH and OHN. Adjustment to the accounting records is made at the time of final settlement.

TBRHSC has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to TBRHSC by the MOH and OHN for the year ended March 31, 2022. Included with the accountability agreements, or subsequent funding letters, are the base or one-time volume that, if not achieved, will result in an adjustment to the funding received.

The availability of confirmed volumes lags the completion of the consolidated financial statements and hence the amount of the MOH and OHN volume funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management's estimates of amounts that have been earned during the year.

In connection with the ongoing COVID-19 pandemic, the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from the pandemic. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs toward pandemic 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 TBRHSC, 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 consolidated financial statements. The MOH has also indicated that all funding related to the pandemic is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for the pandemic is based on the most recent guidance provided by the MOH and the impact of the pandemic on TBRHSC's operations, revenues and expenses. As a result of management's estimation process, TBRHSC has determined a range of reasonably possible amounts that are considered by management to be realistic, supportable and consistent with the guidance provided by the MOH. Any adjustments to management's estimate of MOH revenues will be reflected in TBRHSC's consolidated financial statements in the year of settlement.

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[All amounts in thousands of dollars]

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At year-end, the following pandemic funding, subject to MOH reconciliation, is included in operations:

	\$
Incremental pandemic costs	12,740
Temporary pandemic pay for eligible employees and physicians	7,119
Laboratory COVID-19 test kits	2,749
Assessment Centre	1,495
Other pandemic initiatives	2,988
	<u>27,091</u>
Provision for recovery	<u>(1,749)</u>
	<u>25,342</u>

In addition to the above, TBRHSC has also recognized \$433 [2021 – \$1,251] in MOH funding for pandemic-related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

Health Infrastructure Renewal Fund:

During the year, TBRHSC was approved for \$500 [2021 – \$750] one-time funding by the MOH for the Health Infrastructure Renewal Fund. Due to the pandemic, capital projects approved under this funding were delayed resulting in underspent funds estimated at \$500 [2021 – \$385]. MOH approved a one-time carryforward of unspent funding to the following fiscal year with capital projects to be completed no later than March 31, 2023. In 2021/22, TBRHSC spent \$385 carried forward in the prior year in accordance with the terms set out in the 2020/21 Health Infrastructure Renewal Fund Transfer Payment Agreement.

Ontario Ministry of Health working capital funding:

In March 2021, TBRHSC was advised that it was eligible for one-time funding in the amount of \$11,410 to address its working capital deficit. TBRHSC received this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce TBRHSC's working capital deficit and is not to be used for operating purposes.

At March 31, 2022, TBRHSC recorded a receivable from the MOH for pandemic-related in the amount of \$8,111 [2021 – \$29,274].

21. COMMITMENTS AND CONTINGENCIES

[a] The nature of TBRHSC's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2022, management believes TBRHSC has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on TBRHSC's financial position.

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- [b] TBRHSC is also in the process of updating its pay equity agreements with one of its unions. Given the nature of the pay equity process, there is measurement uncertainty with respect to this issue. TBRHSC has made provision for the estimated impact of settling this liability, which is reflected as part of accounts payable and accrued liabilities on the statement of financial position. Any difference in the final settlement from that estimated will be recorded in the period in which the settlement becomes known.
- [c] Due to the nature of its operations, TBRHSC is periodically subject to grievances filed by its various unions. In the opinion of management, the resolution of any current grievances should not have a material effect on the financial position or results of operations.
- [d] TBRHSC participates in the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2022.

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. Subscribers with an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus when distributions are declared by the Board of Directors of HIROC. There is no distributions receivable from HIROC as of March 31, 2022.

- [e] TBRHSC has committed to lease space in the Medical Centre and Health Services Building both located on TBRHSC property. The leases are for varying terms expiring in 2030. In addition, TBRHSC has lease commitments for vehicles and equipment. The following minimum payments are required over the term of the leases:

	\$
2023	2,020
2024	2,082
2025	2,012
2026	1,798
2027	890
Thereafter	1,442
	10,244

- [f] TBRHSC has a \$15,000 available Board approved operating credit facility with an option to increase up to \$18,000, subject to Board approval, of which no amount was borrowed at year-end. The interest rate of the facility is based on bank prime rate less 0.75%. At March 31, 2022, the effective rate was 1.95% [2021 – 1.7%].
- [g] TBRHSC has entered into a contract for the purchase of specified equipment and related leasehold improvement in the amount of \$923 [2021 – \$376] that had not been completed by

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[All amounts in thousands of dollars]

March 31, 2022

March 31, 2022. TBRHSC has incurred an amount of \$475 [2021 – \$325] for equipment and leasehold improvement purchased under the contract as at March 31, 2022. The full value of the equipment and leasehold improvement will be recorded on completion of the contracts and amortization will be calculated from the month the equipment is brought into service.

[h] TBRHSC has entered into a contract ending October 31, 2026 to lease parking facilities to the Thunder Bay Regional Health Sciences Foundation and manage the facilities in return for annual rent and management fees.

22. FINANCIAL INSTRUMENT RISK MANAGEMENT

TBRHSC's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, due from related entities, mortgages receivable, long-term investments not subject to significant influence, and accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the TBRHSC is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

Credit risk is the risk of financial loss to the TBRHSC if a debtor fails to make payments of interest and principal when due. TBRHSC is exposed to this risk relating to its cash and cash equivalents, investments, accounts receivable, due from related entities and mortgages receivable.

TBRHSC holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In event of default, the Canadian cash account and Guaranteed Investment Certificates and other term deposits with a date to maturity of less than five years are insured up to \$200 [2021 – \$200].

TBRHSC's investment policy restricts cash, cash equivalents and short-term funds to Canadian cash and fixed income funds. Bond investments may be in bonds issued or guaranteed by the Government of Canada or province thereof or Bank Act Schedule A listed bank or Canadian corporation investment grade or above with debt obligation of the issuer rated at least A by CBRS or A by DBRS. Investment in shares is restricted to preferred shares issued or guaranteed by a corporation, incorporated under the laws of Canada or a province, and shall be at investment grade P1 to P3 or above.

Accounts receivable are due from the MOH's Ontario Healthcare Insurance Plan (OHIP), other regional healthcare organizations and associated organizations such as TBRHSC Foundation and patients. TBRHSC measures its exposure to credit risk based on how long the amounts have been outstanding. An allowance for doubtful accounts of \$343 [2021 – \$343] is set up based on historical experience regarding collections.

Due from related entities is secured by expected cash flows from operating grants, research reserves and unexpended capital funds.

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Mortgages receivable are secured by the cash flows from tenant leases in the Medical Centre and expected leases in the Health Services Building as well as a mortgage with respect to the buildings on Hospital property.

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. Market factors include three types of risk: currency risk, interest rate risk and price risk.

Currency risk

Currency risk relates to TBRHSC holding financial instruments in different currencies and converting non-Canadian values at points in time and adverse changes in foreign current rates may occur. TBRHSC holds a U.S. Currency bank account and U.S. investments.

Interest rate risk

Interest rate risk is the potential for financial loss in TBRHSC's fair value investments and mortgage payable because of changes in market interest rates. Currently, there is minimal interest rate risk as the majority of investments are held at fixed rates.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. TBRHSC's investment policy restricts operating investments in marketable securities or equity funds to a maximum 25% of book-cost.

Liquidity risk

Liquidity risk is the risk that TBRHSC will not be able to meet all cash outflow obligations as they come due. TBRHSC mitigates this risk by monitoring cash activities and expected outflows and maintaining investments that may be converted to cash in the near term.

23. IMPACTS OF COVID-19

In response to the COVID-19 pandemic and consistent with guidance provided by the MOH and other government agencies, TBRHSC has implemented a number of measures to protect patients and staff from COVID-19. In addition, TBRHSC has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

TBRHSC continues to respond to the pandemic and plans for continued operational and financial impacts during the subsequent fiscal years. 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.

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24. CONSOLIDATED BUDGET AMOUNTS

The consolidated budget figures presented for comparative purposes are unaudited and are those approved by the Boards of TBRHSC and its controlled entity.