

---

Financial statements of  
Ontario Shores Centre for  
Mental Health Sciences

March 31, 2022

---

---

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of remeasurement gains and losses	5
Statement of changes in net assets	6
Statement of cash flows	7
Notes to the financial statements	8-17

---

## Independent Auditor's Report

To the Board of Directors of  
Ontario Shores Centre for Mental Health Sciences

### Opinion

We have audited the financial statements of Ontario Shores Centre for Mental Health Sciences (the "Hospital"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, remeasurement gains and losses, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2022, and the results of its operations, its remeasurement gains and losses 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 ("Canadian GAAS"). 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 Hospital 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 Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 19, 2022

## Ontario Shores Centre for Mental Health Sciences

### Statement of financial position

As at March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		<b>36,575</b>	12,535
Cash held in trust	4	<b>48</b>	63
Short term investments	5	<b>8,723</b>	8,956
Accounts receivable	10	<b>5,940</b>	9,008
Inventories and prepaid expenses		<b>552</b>	788
		<b>51,838</b>	31,350
Restricted cash and cash equivalents	3	<b>2,286</b>	4,812
Long-term investments	6	<b>88,782</b>	87,009
Capital assets	7	<b>88,132</b>	87,177
		<b>231,038</b>	210,348
<b>Liabilities</b>			
Current liabilities			
Accounts payables and accrued liabilities		<b>41,302</b>	35,748
Patient's trust	4	<b>48</b>	63
Deferred contributions		<b>9,294</b>	8,416
		<b>50,644</b>	44,227
Deferred capital contributions	8	<b>56,671</b>	58,685
		<b>107,315</b>	102,912
Contingencies, commitments and guarantees	11, 12, and 13		
<b>Net assets</b>			
Endowment		<b>16</b>	16
Unrestricted		<b>121,543</b>	103,779
		<b>121,559</b>	103,795
Accumulated remeasurement gains		<b>2,164</b>	3,641
		<b>231,038</b>	210,348

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

Approved by the Board

Original signed by Andrew Arifuzzman

Original signed by Ted Moroz

## Ontario Shores Centre for Mental Health Sciences

### Statement of operations

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Revenue</b>			
Ministry of Health			
Ontario Health East - Grant		<b>152,777</b>	151,964
Ancillary		<b>5,553</b>	4,883
Patient services		<b>1,210</b>	1,531
Investment income		<b>3,331</b>	553
Amortization of deferred capital contributions	8	<b>79</b>	120
		<b>162,950</b>	159,051
<b>Expenses</b>			
Salaries, wages and benefits	9	<b>128,125</b>	124,849
Other supplies and expenses		<b>20,677</b>	19,894
Drugs and medical gases		<b>2,688</b>	2,644
Amortization of capital assets		<b>852</b>	714
Medical and surgical supplies		<b>642</b>	676
Rent		<b>310</b>	291
		<b>153,294</b>	149,068
Excess of revenue over expenses before the undernoted		<b>9,656</b>	9,983
<b>Other revenue (expenses)</b>			
Amortization of			
Deferred capital contributions - building and building improvements	8	<b>3,249</b>	3,071
Building and building improvements		<b>(4,292)</b>	(4,248)
		<b>(1,043)</b>	(1,177)
One time working capital funding, net	14	<b>9,151</b>	—
<b>Excess of revenue over expenses for the year</b>		<b>17,764</b>	8,806

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

**Ontario Shores Centre for Mental Health Sciences****Statement of remeasurement gains and losses**

Year ended March 31, 2022

(In thousands of dollars)

---

	<b>2022</b>	2021
	<b>\$</b>	\$
<b>Accumulated remeasurement gains (losses) at beginning of year</b>	<b>3,641</b>	(4,711)
Unrealized gains attributable to investments	<b>101</b>	7,204
Amounts reclassified to the statement of operations		
Disposition of long-term investments	<b>(1,578)</b>	1,148
Net remeasurement (losses) gains for the year	<b>(1,477)</b>	8,352
<b>Accumulated remeasurement gains at end of year</b>	<b>2,164</b>	3,641

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

**Ontario Shores Centre for Mental Health Sciences****Statement of changes in net assets**

Year ended March 31, 2022

(In thousands of dollars)

	<b>Endowment</b>	<b>Unrestricted</b>	<b>2022 Total</b>	Endowment	Unrestricted	2021 Total
	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>16</b>	<b>103,779</b>	<b>103,795</b>	16	94,973	94,989
Excess of revenue over expenses	—	<b>17,764</b>	<b>17,764</b>	—	8,806	8,806
<b>Balance, end of year</b>	<b>16</b>	<b>121,543</b>	<b>121,559</b>	16	103,779	103,795

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



## Ontario Shores Centre for Mental Health Sciences

### Statement of cash flows

Year ended March 31, 2022

(In thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Operating activities</b>			
Excess of revenue over expenses		17,764	8,806
Items not affecting cash and cash equivalents			
Amortization of capital assets		5,144	4,963
Amortization of deferred capital contributions		(3,328)	(3,192)
Gain on disposal of capital assets		—	(1)
Realized (gain) loss on sale of investments		(1,578)	1,148
Reinvested investment income		(936)	(871)
		<b>17,066</b>	10,853
Net change in non-cash working capital balances		<b>10,347</b>	(3,953)
		<b>27,413</b>	6,900
<b>Investing activities</b>			
Purchase of investments		(55,340)	(97,786)
Proceeds on sale of investments		54,837	84,675
		<b>(503)</b>	(13,111)
<b>Capital activities</b>			
Net additions of capital assets, net of accounts payable and accrued liabilities related to capital (\$2,069 in 2022; \$2,680 in 2021)		(6,710)	(11,390)
Contributions restricted for capital purposes	7	2,526	(3,055)
		<b>(4,184)</b>	(14,445)
<b>Financing activity</b>			
Deferred capital contributions received		1,314	11,785
Increase in cash and cash equivalents		24,040	(8,871)
Cash and cash equivalents, beginning of year		12,535	21,406
<b>Cash and cash equivalent, end of year</b>		<b>36,575</b>	12,535

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

# Ontario Shores Centre for Mental Health Sciences

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

### 1. Incorporation

Ontario Shores Centre for Mental Health Sciences (the "Hospital") was incorporated by Letters Patent under the Corporations Act (Ontario) without share capital on December 21, 2004.

The Hospital is dedicated to providing range of specialized, tertiary mental health care programs for inpatients and outpatients throughout its primary service area. The Hospital is also a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes. The operations of the Hospital are subject to the provisions of the Public Hospital Act (Ontario) and the regulations relating thereto. The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "Ministry") and Ontario Health ("OH"). The Board of Directors recognizes the Hospital's on-going dependency on the Ministry/OH as the primary funding source for the Hospital's operating activities.

### 2. Summary of significant accounting policies

#### *Financial statement presentation*

These financial statements have been prepared in accordance with Canadian public sector accounting standards, including the 4200 series of standards for government not-for-profit organizations, as issued by the Public Sector Accounting Board. These financial statements do not include the activities of the Ontario Shores Foundation for Mental Health (the "Foundation"), a non-controlled affiliated entity (Note 10).

#### *Revenue recognition*

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Externally restricted contributions, for purposes other than endowment, are deferred and recognized in the year in which the related expenses are recognized. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants and funding authorized by the MOH/OH as of the end of the fiscal year, and for which a specific purpose or use has been identified, are recognized as revenue when there is reasonable assurance that the Hospital has complied with, and will continue to comply with, all conditions necessary to earn the grant. The recognition of revenue associated with such grants requires management to make estimates and assumptions based on the best information available at the time of preparation of these financial statements. Final funding approved is subject to the funders' reconciliation process and could differ from these estimates. Refer to Note 16 for further discussion on funding relating to COVID-19 pandemic response..

Grants for which revenue has been earned but not received at the end of the fiscal year are accrued as receivable. Where a portion of a grant received relates to a future period, it is deferred and recognized in that subsequent fiscal year.

Endowment Fund contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized when earned.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and amortized to operations on the same basis as the related asset is depreciated.

Ancillary and patient services revenue is recognized when services are provided.

## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

## 2. Summary of significant accounting policies (continued)

### *Financial instruments*

Financial instruments reported on the Statement of financial position of the Hospital are measured as follows:

Cash and cash equivalents	Fair value
Cash held in trust	Fair value
Accounts receivable	Amortized cost
Short term and long-term investments	Fair value
Accounts payable and accrued liabilities	Amortized cost

Under PS 3450, financial instruments measured at fair value are initially recognized at cost and subsequently carried at fair value. 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 related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses, and recognized into the Statement of operations. On sale or disposal, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from accumulated remeasurement gains and losses and recognized in the Statement of operations.

Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

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

The Hospital has designated its Investments that would otherwise be classified into the amortized cost category at fair value, as the Hospital manages and reports performance of it on a fair value basis.

### *Contributed materials and services*

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

### *Cash and cash equivalents*

Cash and cash equivalents consist of unrestricted cash and short-term deposits with original maturity dates at acquisition of 90 days or less. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

### *Inventories*

Inventories are valued at the lower of average cost and current replacement value.

# Ontario Shores Centre for Mental Health Sciences

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

### 2. Summary of significant accounting policies (continued)

#### *Capital assets*

Capital assets are recorded at cost or at carrying amount of the transferor. Amounts spent which substantially increase the useful lives of the existing capital assets are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are expensed as incurred. No amortization is recorded on land. Amortization on other capital assets is provided on a straight-line basis at the following annual rates based upon the estimated useful lives of the assets:

Buildings and building improvements	5–40 years
Equipment	3–20 years

Building and building improvements include: building, built-in equipment building components and building service equipment or system.

#### *Use of estimates*

The preparation of these financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect revenues and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities, at the date of the financial statements. Actual results may differ from these estimates. Significant estimates include the allowance for doubtful accounts, amortization of capital assets and deferred capital grants, and accrued liabilities.

### 3. Cash and cash equivalents

	2022 \$	2021 \$
Unrestricted	36,575	12,535
Restricted	2,286	4,812
	<b>38,861</b>	<b>17,347</b>

Restricted cash consists of unspent funds received for the purpose of acquiring capital assets.

### 4. Cash held in trust

The Hospital manages the monies of for some of its patients or former patients, received from the Ministry of Community and Social Services, pursuant to a custodial and trust arrangement. The cash held in trust is offset by a corresponding liability.

## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 5. Short-term investments

Short-term investments consist of the following:

	2022	2021
	\$	\$
Cash and cash equivalents held in broker account	131	95
Federal Government bonds	3,181	3,452
Provincial Government bonds	752	793
Corporate bonds	4,659	4,616
	<b>8,723</b>	<b>8,956</b>

Investments with maturity dates ranging from December 15, 2022 to August 16, 2027 and interest rates between 0.937% and 4.86% (0.5% and 4.86% in 2021) are reinvested periodically to meet investment policy targets.

#### 6. Long-term investments

Long-term investments consist of the following:

	2022	2021
	\$	\$
Cash and cash equivalents	967	615
Canadian equities	13,044	10,954
Global equities	20,727	19,517
Federal Government bonds	18,696	19,819
Provincial Government bonds	7,229	7,622
Corporate bonds	28,119	28,482
	<b>88,782</b>	<b>87,009</b>

The Hospital manages its long-term equities in pooled funds managed by external investment managers. Bond maturity dates range from December 15, 2022 to August 15, 2027, and interest rates vary between 0.937% and 4.86% (0.5% and 4.86% in 2021). Bonds with maturity dates less than one year are shown as long-term on the Statement of financial position based on management's intent to reinvest these investments into similar investments upon maturity.

## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 7. Capital assets

Capital assets consist of the following:

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Land	16,229	—	16,229	16,229
Building and building improvements	90,453	24,352	66,101	66,136
Equipment	16,059	10,257	5,802	4,812
	<b>122,741</b>	<b>34,610</b>	<b>88,132</b>	87,177

#### 8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

	2022 \$	2021 \$
Balance beginning of year	58,685	50,092
Add		
Contributions restricted for capital purposes, Ministry of Health	1,314	11,785
Less		
Amortization	(3,328)	(3,192)
Balance, end of year	<b>56,671</b>	58,685

#### 9. Pension plan

All eligible employees hired subsequent to divestment are eligible to be members of Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The Hospital's contributions to the Plan during the year amounted to \$6,522 (\$6,216 in 2021) and are included in salaries, wages and benefits expense in the Statement of operations. The most recent actuarial valuation as at December 31, 2021 indicates that the Plan is fully funded.

Certain employees of Hospital are members of the OPSEU Pension Trust Plan (the "OP Trust Plan"), which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The OP Trust Plan is also accounted for as a defined contribution plan. The Hospital's contributions to the OP Trust Plan during the year amounted to \$1,564 (\$1,633 in 2021) and are included in Salaries, wages and benefits expense in the Statement of operations. The most recent actuarial valuation of the OP Trust Plan as at December 31, 2021 indicates that the Plan is fully funded.

# Ontario Shores Centre for Mental Health Sciences

## Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

### 10. Foundation

The Foundation is an independent corporation without share capital that has its own Board of Directors. The Foundation was created on October 10, 2008 to raise funds for the Hospital and other broad mental health objectives. The Foundation is responsible for all fundraising activities of the Hospital and provides donations to the Hospital for many purposes, including clinical programs, education, capital and research. The accounts of the Foundation are not included in these financial statements.

As at March 31, 2022 the Foundation has net assets of \$17,766 (\$17,573 in 2021). Grants from the Foundation during the year totaled \$523 (\$567 in 2021). These amounts were used to fund education, academic and research, awareness and patient programs. At March 31, 2022, there was \$537 (\$205 in 2021) receivable from the Foundation included in accounts receivable related to amounts paid by the Hospital on behalf of the Foundation. In 2022, the Hospital provided administrative and support services to the Foundation and received administrative fees of \$10 (\$10 in 2021) which is included in ancillary revenue in the Statement of Operations.

### 11. Contingencies

- (a) The Hospital 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 are subject to assessment for losses, if any, experienced by the pool for the years in which they were members.
- (b) The Hospital is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome to the claim cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable or adjustments to the amount recorded are determined to be required.

### 12. Lease commitments

Future minimum annual lease payments for properties and major equipment are as follows:

	\$
Fiscal year	
2023	200
2024	194
2025	173
2026	181
2027	195
	<u>943</u>

## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

#### 13. Guarantees

In the normal course of business, the Hospital enters into agreements that meet the definition of a guarantee. The Hospital's primary guarantees are as follows:

- (a) Indemnity has been provided to all directors and or officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Hospital. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the Hospital has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Hospital from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Hospital has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

#### 14. Working Capital Funding

On March 18, 2021, the Hospital was allocated one-time funding in respect of working fund deficits up to a maximum of \$9,151 and was directed to recognize this amount in 2021. The preliminary criteria and funding restrictions established by the MOH for this funding were unclear, and based on management's estimate, including an assessment of its modified working funds deficiency, there was no reasonable assurance that the Hospital would receive the funding. As a result, a provision of \$9,151 was allowed against the receivable as at March 31, 2021.

On September 23, 2021, the Hospital received confirmation of one-time funding up to \$9,151 to improve the hospital's working capital position, along with terms and conditions which the Hospital has met and attested to. As a result, the provision of \$9,151 allowed against the receivable in 2021 was reversed in 2022 and the funding has been recognized.



## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

---

#### 15. Financial instruments and risk management policy

##### *Financial risks*

The Hospital, through its exposure to financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest risk and credit risk. The following analysis provides a measure of the risks at the Hospital.

##### *Credit risk*

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

##### *Market risk*

Market risk is the risk that the fair value of future cash flows of the Hospital's financial instruments will fluctuate as a result of market factors. Market factors include three types or risks: interest rate risk, equity risk, and foreign currency risk.

##### *i) Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is subject to interest rate risk with respect to its investment portfolio.

To manage these risks, the Hospital has established an investment policy supported by the fund manager to achieve optimal returns within reasonable risk tolerances.

##### *ii) Equity risk*

Equity risk is the risk that the fair value of equity investments will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

##### *iii) Foreign currency risk*

Foreign Currency risk relates to the Hospital operating in different currencies and converting non-Canadian monies at different points in time when adverse changes in foreign currency rates occur.

The Hospital has \$20,727 (\$19,517 in 2021) of long-term investments denominated in foreign currencies. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk. It is management's opinion that the Hospital is not subject to significant market risk arising from these instruments.

## Ontario Shores Centre for Mental Health Sciences

### Notes to the financial statements

March 31, 2022

(In thousands of dollars)

#### 15. Financial instruments and risk management policy (continued)

##### *Establishing fair value*

Fair value of cash and cash equivalents, cash held in trust and restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Fair value for investments is determined directly from published price quotations in an active market.

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

##### *Fair value hierarchy*

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy:

Financial instruments at fair value  
(In thousand dollars)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Total</b>
				<b>\$</b>
Short-term investments	<b>8,723</b>			<b>8,723</b>
Long-term investments	<b>88,782</b>			<b>88,782</b>
	<b>97,505</b>	<b>—</b>	<b>—</b>	<b>97,505</b>
				2021
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Short-term investments	8,956			8,956
Long-term investments	87,009			87,009
	95,965	—	—	95,965

The Hospital's financial instruments recorded at fair value in the Statement of financial position include cash and cash equivalents, cash held in trust, short-term and long-term investments which are classified under Level 1 of the fair value hierarchy described above.

## **Ontario Shores Centre for Mental Health Sciences**

### **Notes to the financial statements**

March 31, 2022

(In thousands of dollars)

---

#### **16. COVID-19 pandemic**

On March 11th 2020, the World Health Organization (WHO) characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

As a result of the COVID-19 pandemic, the Hospital has experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. In fiscal 2021 the MOH/OH issued a series of funding announcements across the hospital sector. The various funding envelopes were intended to support the continued provision of patient care during the pandemic, to reduce operating pressures, and to offset the incremental operating expenditures incurred to provide direct COVID-19 care. Some of these funding envelopes remained in place through fiscal 2022.

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