Financial statements

London Health Sciences Centre

March 31, 2020

Building a better working world

Management's report

The accompanying financial statements of **London Health Sciences Centre** [the "Centre"] have been prepared by Management, reviewed and recommended by the Finance and Audit Committee, and approved by the Board of Directors at their meeting on May 27, 2020.

The Board of Directors carries out its responsibility for the Centre's financial statements principally through its Finance and Audit Committee. The Finance and Audit Committee meets with Management and the internal and external auditors to review any significant accounting and auditing matters and discuss the results of audit examinations. The Finance and Audit Committee also reviews the financial statements and the auditor's report and submits its findings to the Board of Directors for its consideration in approving the financial statements.

The Centre maintains a system of internal accounting controls which is continually reviewed and improved to provide assurance that financial information is relevant, reliable, and accurate, and that assets are appropriately accounted for and adequately safe-guarded.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances.

Paul Woods, MD, MS, CCFP (Original Signed)
President and CEO

Jacqueline Davison, HBA, CPA CA, ICD.D (Original Signed)
Vice President, Finance and Chief Financial Officer

London, Canada
May 27, 2020

Independent auditor's report

To the Board of Directors of
London Health Sciences Centre

Opinion

We have audited the financial statements of **London Health Sciences Centre** [the "Centre"], which comprise the statement of financial position as at March 31, 2020 and the statement of changes in unrestricted net assets, statement of operations, statement of remeasurement losses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2020, 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 financial statements in Canada, and we have fulfilled our 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 Centre'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 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 financial statements

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

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

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

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
May 27, 2020

STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands]

	2020	2019
	$	$
ASSETS		
Current		
Cash and cash equivalents	**175,066**	193,065
Restricted cash and portfolio investments *[notes 4 and 8]*	**9,263**	12,667
Accounts receivable		
Ministry of Health ["MOH"], South West Local Health Integration Network ["SW-LHIN"], Cancer Care Ontario ["CCO"] and Ontario Health ["OH"]	**19,045**	13,975
Patient and other *[notes 8[c] and 16]*	**48,177**	43,315
Due from related entities *[note 15]*	**14,552**	9,476
Inventory	**13,323**	10,339
Prepaid expenses	**4,754**	5,332
	284,180	288,169
Restricted cash and portfolio investments *[note 4]*	**3,376**	5,674
Investments in joint ventures *[note 16]*	**12,575**	13,371
Capital assets, net *[note 5]*	**924,041**	925,499
	1,224,172	1,232,713
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges *[note 16]*	**130,068**	116,727
Accounts payable – MOH, SW-LHIN, CCO and OH	**25,738**	21,745
Current portion of long-term liabilities *[note 7]*	**4,916**	4,669
Current portion of employee future benefits *[note 14]*	**1,705**	1,431
Current portion of capital lease obligations *[note 9]*	**4,274**	3,589
Current portion of deferred contributions *[note 11]*	**12,108**	12,835
	178,809	160,996
Long-term liabilities *[note 7]*	**73,400**	78,335
Employee future benefits *[note 14]*	**30,864**	30,425
Interest rate swaps *[note 7]*	**20,502**	12,580
Capital lease obligations *[note 9]*	**6,166**	5,660
Deferred contributions *[note 11]*	**1,357**	1,357
Deferred capital contributions *[note 10]*	**633,692**	644,459
	944,790	933,812
Commitments and contingencies *[notes 13 and 16]*		
NET ASSETS		
Unrestricted net assets	**299,884**	311,481
Accumulated remeasurement losses	**(20,502)**	(12,580)
	1,224,172	1,232,713

See accompanying notes to financial statements

On behalf of the Board of Directors:

Amy Walby (Original Signed)
Chair, Board of Directors

Michael Hodgson (Original Signed)
Chair, Finance and Audit Committee

London Health Sciences Centre

STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

Year ended March 31
[in thousands]

	2020	2019
	$	$
Unrestricted net assets, beginning of year	**311,481**	335,362
Deficit	**(11,597)**	(23,881)
Unrestricted net assets, end of year	**299,884**	311,481

See accompanying notes to financial statements

London Health Sciences Centre

STATEMENT OF REMEASUREMENT LOSSES

Year ended March 31
[in thousands]

	2020 $	2019 $
Accumulated remeasurement losses, beginning of year	**(12,580)**	(11,368)
Unrealized loss on interest rate swaps *[note 7]*	**(8,540)**	(1,722)
Realized loss on interest rate swaps reclassified to statement of operations *[note 7]*	**618**	510
Accumulated remeasurement losses, end of year	**(20,502)**	(12,580)

See accompanying notes to financial statements

London Health Sciences Centre

STATEMENT OF OPERATIONS

Year ended March 31
[in thousands]

	2020	2019
	$	$
Revenue		
MOH, SW-LHIN, CCO and OH	**1,051,279**	1,035,112
Non-patient	**128,433**	106,761
Patient	**65,458**	61,488
Preferred accommodation	**9,526**	9,457
Amortization of deferred capital contributions *[note 10]*	**27,126**	27,380
Interest	**3,649**	3,376
	1,285,471	1,243,574
Expenses		
Salaries and wages	**675,011**	665,840
Employee benefits *[note 14]*	**137,202**	133,130
Supplies and other	**173,848**	179,854
Medical and surgical supplies	**98,184**	95,859
Drugs	**142,599**	124,370
Amortization of capital assets	**60,064**	58,617
Interest and other *[note 7]*	**8,331**	8,085
	1,295,239	1,265,755
Deficit before undernoted item	**(9,769)**	(22,181)
Loss on investments in joint ventures *[note 16]*	**(1,829)**	(1,700)
Deficit	**(11,597)**	(23,881)

See accompanying notes to financial statements

London Health Sciences Centre

STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands]

	2020 $	2019 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficit	**(11,597)**	(23,881)
Add (deduct) non-cash items:		
Amortization of capital assets	**60,064**	58,617
Amortization of deferred capital contributions	**(27,126)**	(27,380)
Decrease in deferred contributions related to future operating expenses	**(727)**	(926)
Decrease in deferred capital contributions reallocated	**(1,219)**	(5,954)
Gain (loss) on disposal of equipment	**(961)**	437
Increase in employee future benefits	**713**	2,090
Increase in due from related entities	**(5,076)**	(1,098)
	14,071	1,905
Net change in non-cash working capital items *[note 12]*	**4,996**	15,417
Cash provided by operating activities	**19,067**	17,322
FINANCING ACTIVITIES		
Contributions received related to capital assets	**16,858**	21,759
Decrease in other long-term liabilities	**(190)**	(89)
Repayment of long-term debt	**(4,498)**	(4,273)
Payment of capital lease obligations	**(4,189)**	(3,898)
Cash provided by financing activities	**7,981**	13,499
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash and portfolio investments, net	**5,702**	(5,147)
Decrease (increase) in investments in joint ventures	**796**	(356)
Cash provided by (used in) investing activities	**6,498**	(5,503)
CAPITAL ACTIVITIES		
Proceeds on sale of capital assets	**988**	6
Purchase of capital assets	**(52,533)**	(55,307)
Cash used in capital activities	**(51,545)**	(55,301)
Net decrease in cash and cash equivalents during the year	**(17,999)**	(29,983)
Cash and cash equivalents, beginning of year	**193,065**	223,048
Cash and cash equivalents, end of year	**175,066**	193,065

See accompanying notes to financial statements

Notes to financial statements

[in thousands of dollars]

March 31, 2020

1. Purpose of the organization

London Health Sciences Centre [the "Centre"] was incorporated without share capital under the *Corporations Act* (Ontario). The Centre is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes. The Centre is dedicated to excellence in patient care, teaching and research and is one of Canada's largest acute-care teaching hospitals.

The Centre receives the majority of its operating funding from the Province of Ontario in accordance with budget policies established by the Ontario Ministry of Health ["MOH"], the South West Local Health Integration Network ["SW-LHIN"] and Cancer Care Ontario ["CCO"]. Capital redevelopment expenditures are primarily funded by the MOH and philanthropic contributions. During the year, Ontario Health ["OH"] was established as a new Agency under the MOH, and includes CCO and elements of the SW-LHIN.

The Centre operates under a Hospital Service Accountability Agreement ["H-SAA"] and a Multi-Sector Service Accountability Agreement ["M-SAA"] with the SW-LHIN. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Centre. The H-SAA and M-SAA set out the funding provided to the Centre together with performance standards and obligations that establish acceptable results for the Centre's performance. The Centre retains any excess or deficiency of revenue over expenses during the year in accordance with the H-SAA.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with the *CPA Canada Public Sector* ["PS"] *Handbook*, which sets out Canadian generally accepted accounting principles for government not-for-profit organizations ["GNPOs"] in Canada. The Centre has chosen to use the standards specified for GNPOs set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

[a] Revenue recognition

The Centre follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

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

Revenue from patient services, non-patient services and preferred accommodation is recognized when the services have been provided or when the goods have been sold.

Investment income (loss) is recognized as revenue when earned, except to the extent it relates to deferred contributions and amounts held for others, in which case it is added to the deferred contributions and amounts held for other balances, respectively. Investment income (loss) consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

[b] Inventory

Inventory is valued at the lower of cost and net realizable value, which is considered to be current replacement cost on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

[c] Cash, restricted cash and cash equivalents

Cash, restricted cash and cash equivalents consist of cash on deposit and guaranteed investment certificates.

[d] Investments

The Centre has interests in economic activities where there is shared ownership of these activities by the venturers. The accounts of these joint venture activities are included in the accompanying financial statements following the modified equity method. The modified equity method is a basis of accounting for the Centre's business partnerships, whereby the equity method of accounting is only modified to the extent the venturer's accounting policies are not adjusted to conform with those of the Centre.

When the Centre has significant influence or control of a not-for-profit organization, it is disclosed in the notes to the financial statements.

[e] Capital assets

Capital assets are recorded at original cost. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis over the estimated useful life of the asset. The amortization periods are as follows:

Land improvements	5–20 years
Buildings and building service equipment	5–50 years
Parking lot pavement	8 years
Equipment and furniture	5–20 years
Computer equipment and software	3–5 years

Donated capital assets are recorded at fair market value at the date of contribution. Construction and projects in progress include construction and development costs and capitalized interest.

No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

External labour and incremental internally reassigned personnel costs associated with specific projects are included in their cost, and are capitalized and amortized over the life of the project.

When a capital asset no longer has any long-term service potential to the Centre, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

[f] Capital leases

A lease contract is accounted for as a capital lease if the Centre intends to obtain legal title to the asset at the end of the lease term, the lease term covers a significant portion of the asset's useful life, or the Centre has determined that the vendor will recover the investment cost of the asset as well as earn a return on that investment. The capital cost of the leased asset is amortized on a straight-line basis over the useful life of the asset.

[g] Use of estimates

The preparation of the Centre's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimation processes relate to employee future benefits and revenue recognized from the MOH and the SW-LHIN. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected, such as funding adjustments from the MOH and the SW-LHIN. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. Actual results could differ from those estimates.

[h] Employee future benefits

[i] Multi-employer pension plan

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer plan, whereby contributions are expensed on an accrual basis, as the Centre has insufficient information to apply defined benefit plan accounting.

[ii] Other employee future benefits

The Centre accrues its obligations for other employee future benefits. The cost of other employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Centre's cost of borrowing. Differences arising from past service costs are expensed in the period of plan amendment. Actuarial gains and losses are amortized on a straight-line basis in the statement of operations over the expected average remaining service life of employees, which ranges from 3.4 to 13.6 years.

[i] Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; [ii] cost or [iii] amortized cost. The Centre determines the classification of its financial instruments at initial recognition. The financial instruments are measured as follows:

[i] Portfolio investments are measured at fair value, with changes in fair value recognized in the statement of remeasurement gains and losses.
[ii] Accounts receivable, due from related entities, accounts payable and accrued charges and long-term debt are measured at amortized cost, net of any provision for impairment.
[iii] Derivatives are measured at fair value on the statement of financial position, with changes in value recognized in the statement of remeasurement gains and losses. The Centre does not engage in derivative trading or speculative activities.

Transaction costs related to financial assets and financial liabilities measured at fair value are expensed to interest and other expenses, net as incurred.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

A change in the fair value of a financial instrument in the fair value category is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. In the reporting period that a financial instrument in the fair value category is derecognized, the accumulated remeasurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

At each financial statement date, the Centre assesses financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss. A loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the Centre becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value.

[j] Contributed services and materials

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

Notes to financial statements

[in thousands of dollars]

March 31, 2020

3. Funds held in trust

The Centre holds funds in trust for certain associated entities, which the Centre has received under the direction of multi-party agreements. The funds are not available for the use or benefit of the Centre and are disbursed according to the terms of the various agreements. Funds held in trust are not included in the Centre's statement of financial position. Funds held in trust are summarized in the following table:

	2020	2019
	$	$
Academic Medical Organization of Southwestern Ontario [a]	**6,003**	5,790
SWO DI/Regional Information Management Projects [b]	**176**	172
cSWO [c]	**1,852**	(479)
	8,031	5,483

[a] The Centre holds funds in trust for the Academic Medical Organization of Southwestern Ontario, an unincorporated association with which the Centre has a service level agreement.

[b] The Centre also holds funds in trust related to the Southwestern Ontario Diagnostic Imaging Project ["SWO DI"] and for other Regional Information Management Projects. These funds were entirely contributed by Canada Health Infoway and the MOH. Subject to approval by the Diagnostic Imaging Steering Committee, the Centre may be reimbursed from the funds held in trust for SWO DI for expenses incurred.

[c] The Centre holds funds in trust related to the Connecting Southwestern Ontario ["cSWO"] Project. These funds were entirely contributed by eHealth Ontario. eHealth is now part of OH. Certain of the funds held in trust for cSWO may be remitted to the Centre as reimbursement for expenses incurred.

4. Restricted cash and portfolio investments

	2020	2019
	$	$
Externally restricted		
Short-term restricted portfolio investments – fixed income	**4,192**	4,105
Internally restricted		
Long-term restricted cash	**429**	419
Short-term restricted portfolio investments – fixed income	**5,071**	8,562
Long-term restricted portfolio investments – fixed income	**2,947**	5,255
	12,369	18,341
Less current portion of restricted cash and portfolio investments	**9,263**	12,667
Total long-term restricted cash and portfolio investments	**3,376**	5,674

[in thousands of dollars]

Internally restricted funds are funds to be spent on specific internal initiatives as approved by the Board of Directors. Externally restricted funds include MOH funds received for large building and demolition projects and funds received from other external parties for specific purposes. All restricted funds are maintained in restricted accounts until they are spent. The funds are recorded on the statement of financial position as either short-term or long-term based on when the funds are anticipated to be spent. Fixed income portfolio investments consist of guaranteed investment certificates *[note 8[b]]*.

5. Capital assets

	2020		2019	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Land	**3,997**	—	3,997	—
Construction and projects in progress	**10,512**	—	11,913	—
Buildings, building service equipment and land improvements	**1,074,027**	**333,412**	1,050,306	309,785
Parking lot pavement	**4,187**	**2,364**	3,041	2,062
Equipment and furniture [a]	**595,006**	**427,912**	561,770	393,681
	1,687,729	**763,688**	1,631,027	705,528
Less accumulated amortization	**763,688**		705,528	
Net book value	**924,041**		925,499	

[a] During the year, the Centre recorded $720 [2019 – $325] in contributed assets and the related deferred capital contributions.

The above capital assets include assets under capital lease of $18,501 [2019 – $18,410] at cost with accumulated amortization of $8,350 [2019 – $8,924].

6. Credit facilities

The credit facilities as at March 31, 2020 established with the Centre's bankers consist of a credit line of $45,000 [2019 – $45,000] to be used for general operating purposes and to bridge capital expenditures. This facility bears interest at the Bankers' Acceptance rate plus 0.45%. No amount was drawn on this facility as at March 31, 2020 or March 31, 2019.

During the year, the Centre added two credit facilities to bridge future capital expenditures. The first is a non-revolving term facility of $31,200 and bears interest at prime less 0.75%. Borrowings under this facility are repayable at the earlier of 1) September 30, 2021 and 2) the receipt by the Centre of the proceeds of the credit facility in note 7[f]. No amount was drawn on this facility as at March 31, 2020. The second is a non-revolving term facility of $4,900 and bears interest at prime less 0.75%. Borrowings under this facility are repayable at the earlier of 1) April 30, 2020 and 2) the receipt by the Centre of the proceeds of the credit facility in note 7[g]. No amount was drawn on this facility as at March 31, 2020.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

7. Long-term liabilities and interest rate swaps

	2020	2019
	$	$
Long-term debt		
Term instalment loan at 7.00% [a]	**8,670**	9,524
Term instalment loan at 7.08% [a]	**8,823**	9,872
Term instalment loan at 5.68% [b]	**21,418**	22,181
Term instalment loans at 4.17% [c]	**25,703**	26,723
Term instalment loan at 2.60% [d]	**7,224**	7,558
Term instalment loan at 1.61% [e]	**3,744**	4,222
	75,582	80,080
Less current portion	**4,736**	4,498
	70,846	75,582
Other long-term liabilities		
Sick leave entitlement [h]	**12**	79
Employee benefit rebates [i]	**2,419**	2,558
Accumulating and non-vesting sick pay benefits [j]	**303**	287
	2,734	2,924
Less current portion	**180**	171
	2,554	2,753
	73,400	78,335
Interest rate swaps		
Interest rate swap on term instalment loan [a]	**1,136**	1,293
Interest rate swap on term instalment loan [b]	**8,402**	6,466
Interest rate swaps on term instalment loans [c]	**6,793**	4,831
Interest rate swap on term instalment loan [d]	**709**	108
Interest rate swap on term instalment loan [e]	**57**	(118)
Interest rate swap [f]	**2,902**	—
Interest rate swap [g]	**503**	—
	20,502	12,580

The fair value of the interest rate swap ["IRS"] amounts disclosed above reflects the estimated amount that the Centre, if required to settle the outstanding contract, would be required to pay at year-end and represents the difference between the net present value of the cash flows based on the swap rate at inception and the net present value of the cash flows based on the projected swap rate for the remaining term of the swaps.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

[a] The Centre has a non-revolving term instalment loan on the first Victoria Hospital parking structure bearing interest at a floating rate of the Bankers' Acceptance rate plus 0.65% and due on December 30, 2022. Quarterly equal blended payments of principal and interest commenced September 30, 2003. As at March 31, 2020, the agreement represented a notional principal amount of $8,670 [2019 – $9,524].

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate of the Bankers' Acceptance rate plus 0.65% obligation annually for a fixed rate of 7.00%.

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $1,136 [2019 – $1,293].

The Centre has a non-revolving term instalment loan on its University Hospital parking structure bearing interest at 7.08% and due on July 31, 2021. Monthly equal blended payments of principal and interest commenced April 1, 2002. As at March 31, 2020, the agreement represented a notional principal amount of $8,823 [2019 – $9,872].

The Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

[b] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.75% on a second parking facility that has been constructed at Victoria Hospital and the purchase of other long-term assets. Monthly equal blended payments of principal and interest commenced March 31, 2012. The maturity date of this agreement is September 30, 2036.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.75% annually for a fixed rate of 5.68%.

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $8,402 [2019 – $6,466]. As noted in [a], the Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

[c] The Centre has two non-revolving floating rate term instalment loans to finance expenditures related to the Phase 5 Co-Generation project at Victoria Hospital and the Emergency Backup Generator project at University Hospital. The loans bear interest at a floating rate of prime less 0.75% and are due on September 30, 2036. Monthly blended payments of principal and interest commenced October 1, 2011.

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt and has addressed this risk by entering into IRS agreements that fix the interest rate over the term of the debt. The IRS agreements cause the Centre to swap its floating rate obligation at prime less 0.75% annually for a fixed rate of 4.17%. The maturity date of these agreements is September 1, 2036.

As at March 31, 2020, the fair value of these IRS agreements represented a liability of $6,793 [2019 – $4,831].

[d] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.30% on the purchase of long-term assets. Monthly equal blended payments of principal and interest commenced April 28, 2017. The maturity date of this agreement is March 30, 2037.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.30% annually for a fixed rate of 2.60%.

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $709 [2019 – $108].

[e] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate plus 0.30% related to the replacement of chiller systems. Monthly equal blended payments of principal and interest commenced August 31, 2017. The maturity date of this agreement is July 31, 2027.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.30% annually for a fixed rate of 1.61%.

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $57 and an asset of $118 as at March 31, 2019.

[f] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate to finance the replacement of the emergency generator at Victoria Hospital. No amount has been drawn on this facility at March 31, 2020.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate for a fixed rate of 2.30%.

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $2,902 [2019 – nil].

[g] The Centre has a non-revolving floating rate term instalment loan at the Bankers' Acceptance rate to finance the replacement of the boiler plant at University Hospital. No amount has been drawn on this facility at March 31, 2020.

The Centre is exposed to interest rate cash flow risk with respect to its committed floating rate debt and has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate for a fixed rate of 2.26%.

[in thousands of dollars]

As at March 31, 2020, the fair value of this IRS agreement represented a liability of $503 [2019 – nil].

[h] Sick leave entitlement reflects the remaining liability from a former plan, with changes during the year representing changes in wage rates and payouts to employees upon retirement or departure from the Centre.

[i] This represents the rebate portion of certain legislated employee benefits programs to fund future costs.

[j] The Centre has an obligation for accumulating and non-vesting sick pay benefits for certain employee groups. These benefits are paid out upon an illness or injury-related absence. Sick pay benefits expensed during the year were $15 [2019 – $22].

[k] Principal payments due under the various debt agreements are as follows:

	$
2021	4,736
2022	4,272
2023	3,439
2024	3,060
2025	3,193
Thereafter	56,882
	75,582

Interest costs incurred in the year amounted to $4,044 [2019 – $4,324].

8. Financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1: Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: Valuation techniques using 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 data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant inputs have been considered in measuring fair value.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

The following table presents the financial instruments measured at fair value classified according to the fair value hierarchy described above:

	Fair value as at March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets and liabilities				
Cash and cash equivalents	**123,120**	**51,946**	**—**	**175,066**
Restricted cash and portfolio investments *[note 4]*	**429**	**12,210**	**—**	**12,639**
Interest rate swaps *[note 7]*	**—**	**(20,502)**	**—**	**(20,502)**
	123,549	**43,654**	**—**	**167,203**

	Fair value as at March 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets and liabilities				
Cash and cash equivalents	142,409	50,656	—	193,065
Restricted cash and portfolio investments *[note 4]*	419	17,922	—	18,341
Interest rate swaps *[note 7]*	—	(12,580)	—	(12,580)
	142,828	55,998	—	198,826

There have been no material transfers between Levels 1 and 2 for the years ended March 31, 2020 and March 31, 2019.

Financial risks

The Centre's investment activities expose it to a range of financial risks. The Centre manages these financial risks in accordance with its internal policies.

[a] Market risk

Market risk is the risk that the fair value or future cash flows related to a financial instrument will fluctuate as a result of changes in market conditions including interest rates. Significant volatility in interest rates and equity values in which the Centre's investments are held can significantly impact the value of the investments. [note 18]

[b] Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of a financial instrument due to fluctuations in interest rates. The Centre is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents, investments and long-term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Centre's operating results.

To manage the risks identified for its investments, the Centre has an investment policy setting out a target mix of investments designed to provide an optimal rate of return within reasonable risk tolerances. The investment policy is renewed annually.

Fixed income portfolio investments have an average term to maturity of 0.7 years [2019 – 0.6 years] and an average yield of 2.61% [2019 – 2.55%] as at March 31, 2020 based on market values. Due to the short-term nature of the Centre's portfolio investments, there would be no significant changes in net assets if interest rates were to change.

The Centre mitigates interest rate risk on its long-term debt through derivative financial instruments that exchange the variable rate inherent in the long-term debt for a fixed rate *[note 7]*. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

[c] Credit risk

Credit risk arises from the possibility that the entities from which the Centre receives funding may experience difficulty and be unable to fulfil their obligations. The majority of the Centre's accounts receivable are owed by government agencies with good credit standing. As at year-end, patient and other accounts receivable totaled $48,177 [2019 – $43,315]. As a result, the requirement for credit risk related reserves for accounts receivable is minimal. The Centre has no significant concentration of credit risk with any one individual customer. There are no significant past due or impaired balances as at March 31, 2020.

[d] Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its obligations as they fall due. To manage liquidity risk, the Centre keeps sufficient resources readily available to meet its obligations, including available lines of credit *[note 6]* that may be used when sufficient cash flow is not available from operations to cover operating expenditures. The Centre believes that its current sources of liquidity are sufficient to cover its known short and long-term cash obligations.

The majority of accounts payable and accrued charges are expected to be settled in the next fiscal year. The maturities of other financial liabilities are provided in the notes to the financial statements related to those liabilities.

[in thousands of dollars]

9. Capital lease obligations

The Centre has entered into the following capital lease obligations for equipment:

	2020	2019
	$	$
Total minimum lease payments	**10,764**	9,630
Less amounts representing interest	**1,030**	986
Add residual values	**706**	605
Present value of capital lease obligations	**10,440**	9,249
Less current portion of capital lease obligations	**4,274**	3,589
	6,166	5,660

Principal payments due under capital lease obligations are as follows:

	$
2021	4,146
2022	3,403
2023	1,611
2024	573

10. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of externally restricted contributions received related to capital assets. Changes in the deferred capital contributions balance are as follows:

	2020	2019
	$	$
Balance, beginning of year	**644,459**	655,709
Contributions received during the year		
MOH, SW-LHIN and CCO	**10,254**	12,872
Foundations	**4,988**	5,251
Other	**2,336**	3,960
Capital contributions reallocated	**(545)**	(597)
Capital contributions reclassified to accounts payable	**(674)**	(5,356)
Amortization	**(27,126)**	(27,380)
Balance, end of year	**633,692**	644,459

The above deferred capital contributions includes funds received but not amortizing in the amount of $14,204 [2019 – $15,882].

Notes to financial statements
[in thousands of dollars]

March 31, 2020

11. Deferred contributions

Deferred contributions represent unspent grants for operating purposes that have been received and relate to a subsequent year. Changes in the deferred contributions balance are as follows:

	2020	2019
	$	$
Balance, beginning of year	**14,192**	15,118
Contributions received during the year		
MOH and SW-LHIN	—	98
Foundations	**1,082**	781
Other	**1,167**	855
Amounts recognized as revenue during the year	**(2,976)**	(2,660)
	13,465	14,192
Less current portion	**12,108**	12,835
Balance, end of year	**1,357**	1,357

12. Statement of cash flows

The net change in non-cash working capital items related to operations consists of the following:

	2020	2019
	$	$
Cash provided by (used in)		
Accounts receivable		
MOH, SW-LHIN and CCO	**(5,070)**	346
Patient and other	**(4,862)**	(743)
Inventory	**(2,984)**	(1,988)
Prepaid expenses	**578**	457
Accounts payable and accrued charges	**13,341**	8,638
Accounts payable – MOH, SW-LHIN and CCO	**3,993**	8,707
	4,996	15,417

Non-cash transactions during the year related to contributed capital assets and the related deferred capital contributions of $720 [2019 – $325] are excluded from the statement of cash flows.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

13. Commitments and contingencies

[a] The Centre has entered into operating leases for premises and equipment. Minimum rental payments over the next five years are as follows:

	$
2021	867
2022	872
2023	873
2024	867
2025	857

[b] The Centre is subject to certain actual and potential legal claims that have arisen in the normal course of operations. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments are determined to be required. With respect to claims as at March 31, 2020, it is management's position that the Centre has valid defences and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may result from such claims.

[c] The Centre routinely engages in collective bargaining and is subject to various human rights matters under Provincial legislation when employees or groups within the bargaining units file grievances against the Centre or when the collective bargaining agreements are negotiated, which may result in a retroactive pay.

[d] The Centre's Board of Directors has approved capital expenditures for the replacement of diagnostic imaging equipment and the replacement of an emergency generator, totaling $79,636 to be completed by March 31, 2022. Financing related to the emergency generator project totals $31,200 and is outlined in note 6. The diagnostic imaging equipment replacement is being financed through operations.

14. Employee future benefits

[a] Multi-employer pension plan

Substantially all of the employees of the Centre are members of the HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Centre's contributions to the HOOPP during the year amounted to $45,906 [2019 – $44,481]. This amount is included in employee benefits expense in the statement of operations.

The most recent actuarial valuation for financial reporting purposes completed by the HOOPP as at December 31, 2019 disclosed net assets available for benefits of $94,102,000 [2018 – $79,019,000] with pension obligations of $73,547,000 [2018 – $65,128,000], resulting in a surplus of $20,555,000 [2018 – $13,891,000]. The cost of pension benefits is determined by HOOPP at $1.26 per every dollar of employee contribution. As at December 31, 2019, the HOOPP was 119% funded [2018 – 121%].

[in thousands of dollars]

[b] Other employee future benefits

The Centre provides post-retirement benefits of extended health coverage, dental and semi-private insurance. The most recent actuarial valuation for financial reporting purposes was completed by the Centre's independent actuaries as of March 31, 2020.

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligations for the other employee future benefits are as follows:

	2020	2019
Discount rate	**3.0%**	2.7%
Executive supplementary pension increase	**1.5%**	1.5%
Health care inflation	**5.5%**	5.6%

The significant actuarial assumptions adopted in measuring the Centre's benefit expense are as follows:

	2020	2019
Discount rate	**2.7%**	3.1%
Executive supplementary pension increase	**1.5%**	1.5%
Health care inflation	**5.6%**	5.7%

The health care inflation is expected to decrease to an ultimate rate of 3.9% in 2038 and thereafter. Benefits paid during the year were $1,172 [2019 – $1,159]. These obligations are funded in the year they are paid out.

The following table presents information related to the Centre's post-retirement benefits as at March 31, including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

	2020 $	2019 $
Accrued benefit obligation		
Balance, beginning of year	**28,912**	25,397
Current service cost	**1,427**	1,263
Interest cost	**796**	848
Benefits paid	**(1,704)**	(1,432)
Plan amendment	**—**	1,831
Actuarial loss (gain)	**(774)**	1,005
Balance, end of year	**28,657**	28,912
Unamortized net actuarial gain	**3,912**	2,944
Employee future benefit liability	**32,569**	31,856
Less current portion	**1,705**	1,431
Total long-term employee future benefit liability	**30,864**	30,425

[in thousands of dollars]

Unamortized actuarial losses are amortized over the expected average remaining service life of employees. The Centre's benefit plan expense was as follows:

	2020 $	2019 $
Current service cost	**1,427**	1,263
Interest cost	**796**	848
Amortization of past service cost	—	1,831
Amortization of actuarial loss (gain)	**195**	(421)
Net benefit plan expense	**2,418**	3,521

15. Related entities

Amounts due from related entities in the Centre's financial statements are as follows:

	2020 $	2019 $
London Health Sciences Centre Research Inc. [a]	**13,450**	8,389
London Health Sciences Foundation [b]	**1,102**	1,087
	14,552	9,476

All related party transactions are in the normal course of operations and are measured at the agreed-upon exchange amount. The Centre is also party to joint venture agreements that are described in note 16.

[a] London Health Sciences Centre Research Inc. ["LHSCRI"]

The Centre has significant influence in LHSCRI. LHSCRI is incorporated without share capital under the laws of Ontario. The Centre entered into an agreement with St. Joseph's Health Care, London ["SJHC"], Lawson Research Institute["LRI"] and LHSCRI to form a Board of Directors to conduct joint research activities as the Lawson Health Research Institute. The Lawson Health Research Institute is jointly controlled by LHSCRI and LRI. Each venturer continues to account for costs independently. The accounts of LHSCRI and Lawson Health Research Institute are not included in these financial statements.

The Centre provided approximately $459 [2019 – $459] in funding to LHSCRI to assist with the operations of LHSCRI. In addition, facilities and certain administrative functions are provided at no cost to LHSCRI.

LHSCRI relies on the Centre to provide payroll and other administrative support and reimburses the Centre for costs incurred on its behalf.

Included in the amounts due from LHSCRI is $4,951 [2019 – $5,095], the disbursement of which is at the discretion of the Centre.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

[b] London Health Sciences Foundation [the “Foundation”]

The Foundation is an independent corporation incorporated without share capital under the laws of Ontario with its own separate Board of Directors. The Foundation’s accounts are not included in these financial statements. The Foundation relies on the Centre to provide payroll, facilities and other administrative support and reimburses the Centre for costs incurred on its behalf.

During the year, the Foundation contributed funds to the Centre for capital, patient care, education and research needs of the Centre as set out below:

	2020	2019
	$	$
Capital	**4,794**	3,998
Patient care	**1,295**	1,289
Education	**514**	565
Research	**86**	99
	6,689	5,951

16. Investments in joint ventures

The Centre has entered into the following joint ventures, which are accounted for on the modified equity basis of accounting as follows:

	2020	2019
	$	$
Investment in Western ProResp Inc. [a]	**4,372**	4,071
Investment in HMMS [b]	**2,261**	2,173
Investment in PaLM [c]	**5,942**	7,127
Investment in Information Technology Purchased Services [d]	**—**	—
	12,575	13,371

All transactions with the joint ventures are in the normal course of operations and are measured at the agreed-upon exchange amount.

[a] Western ProResp Inc.

Western ProResp Inc. was incorporated as a joint venture [“JV”] between the Centre and a third party for the purposes of providing home care services to clients in Middlesex and Elgin Counties. The Centre has a 50% interest in Western ProResp Inc. As at March 31, 2020, Western ProResp Inc. owed $366 [2019 – $340] to the Centre. This amount is included in patient and other accounts receivable.

[b] Healthcare Materials Management Services [“HMMS”]

HMMS is an unincorporated JV between the Centre and SJHC, created to consolidate purchasing, warehousing, distribution and payment processing functions and to provide similar services to other healthcare institutions. Operating costs are allocated to the Centre and SJHC based on a pre-determined cost-sharing formula and expensed to operations as a purchased service. As at March 31, 2020, the Centre owed $21,643 [2019 – $14,066] to HMMS. This amount is included in accounts payable and accrued charges.

HMMS has bank credit facilities consisting of a $10,000 operating line of credit. The Joint Venture Agreement restricts each partner’s maximum credit liability based upon the partner’s utilization of the JV. As at March 31, 2020, the Centre had provided a guarantee for up to $8,285 in support of the $10,000 operating line of credit. In the event that HMMS is unable to fulfil its debt obligations, the Centre will be responsible for the guaranteed amount. As at March 31, 2020, HMMS had not drawn on its operating line of credit [2019 – nil].

[c] Pathology and Laboratory Medicine [“PaLM”]

The Centre and SJHC entered into an unincorporated JV to consolidate all laboratory services and provide all laboratory and pathology services to the Centre and SJHC in their delivery of patient care.

The services purchased from PaLM for the year ended March 31, 2020 were $42,833 [2019 – $43,931]. As at March 31, 2020, the Centre owed $461 [2019 – $830] to PaLM. This amount is included in accounts payable and accrued charges.

[d] Information Technology Purchased Services

Information Technology Purchased Services is an unincorporated JV established to develop and operate a shared electronic health information management system across the region. Purchased services include information systems related to electronic patient records, picture archiving and communication, and general ledger applications.

Information Technology Purchased Services relies on the Centre to provide payroll, facilities and other administrative support, and reimburses the Centre for costs incurred on its behalf. During the year, the Centre incurred total operating costs of $11,203 [2019 – $10,975] on behalf of Information Technology Purchased Services. As at March 31, 2020, the Centre owed $489 to Information Technology Purchased Services with respect to these costs and Information Technology Purchased Services owed $149 to the Centre at March 31, 2019. The Centre paid $1,853 [2019 – $2,099] to Information Technology Purchased Services for the Centre’s share of operating costs during the year.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

The Centre's share of the joint ventures' assets, liabilities, operations and cash flows are as follows:

	2020		
	PaLM	**Other**	**Total**
	$	$	$
Centre's share of current year revenue	**57,865**	**19,674**	**77,539**
Centre's share of current year expenses	**(59,646)**	**(19,722)**	**(79,368)**
Centre's share of current year net loss	**(1,781)**	**(48)**	**(1,829)**
Centre's share of total assets	**6,579**	**39,304**	**45,883**
Centre's share of total liabilities	**717**	**35,922**	**36,639**
Centre's share of cash provided by operating activities	**102**	**506**	**608**
Centre's share of cash used in investing activities	**(788)**	**(536)**	**(1,324)**
Centre's share of cash used in financing activities	**226**	**71**	**297**
Centre's share of cash used in operating, investing and financing activities	**(460)**	**41**	**(419)**

	2019		
	PaLM	**Other**	**Total**
	$	$	$
Centre's share of current year revenue	57,268	18,352	75,620
Centre's share of current year expenses	(59,016)	(18,304)	(77,320)
Centre's share of current year net loss	(1,748)	48	(1,700)
Centre's share of total assets	7,681	35,710	43,391
Centre's share of total liabilities	605	32,318	32,923
Centre's share of cash provided by operating activities	261	107	368
Centre's share of cash used in investing activities	(2,077)	(290)	(2,367)
Centre's share of cash used in financing activities	(36)	(617)	(653)
Centre's share of cash used in operating, investing and financing activities	(1,852)	(800)	(2,652)

Other includes Western ProResp Inc., HMMS and Information Technology Purchased Services.

Notes to financial statements

[in thousands of dollars]

March 31, 2020

17. Clinical education

The Centre provides education to medical students, residents and fellows, for which it receives funding from the MOH. Any unspent funds are returned to the MOH and any over-expenditure is the responsibility of the Centre. The total of revenue and expenses is included in the Centre's statement of operations.

During the year, the Clinical Education program incurred expenses and received funding from the MOH as follows:

	2020	2019
	$	$
Revenue	**70,771**	69,878
Expenses	**70,830**	69,917
Excess of expenses over revenue	**(59)**	(39)

18. COVID 19 – Global Pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ["COVID-19"] as a global pandemic, which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. Subsequent to year-end, governments worldwide have continued to enact emergency measures to combat the spread of the virus. As a result, the Centre is experiencing changes in demand for its services and is working to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

The impact of COVID-19 has led to significant volatility and declines in the global equity and fixed income markets during the first quarter of 2020. It is uncertain how long this volatility will continue and could potentially lead to further decreases in the value and income of portfolio investments. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Management considered the impact of COVID-19 in its assessment of the Centre's assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had an impact on the Centre's funding and operations, including the funding and operations of its related entities and joint ventures, measures will be implemented to manage patient care volumes and operational expenses to ensure that the Centre is able to maintain its core operations and COVID-19 response. Furthermore, the Centre is tracking and reporting expenses related to the COVID-19 response and is applying for government reimbursement of hospital-incurred expenses in order to mitigate the financial impacts.

The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions and slow the spread of the disease. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Centre in future years.