

Trillium Health Partners

Financial Statements

March 31, 2016

(in thousands of dollars)



May 30, 2016

Independent Auditor's Report

To the Members of the Board of Directors of Trillium Health Partners

We have audited the accompanying financial statements of Trillium Health Partners, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trillium Health Partners as at March 31, 2016 and the results of its operations, its remeasurement gains and losses and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the Trillium Health Partners for the year ended March 31, 2015 were audited by another firm of auditors whose report, dated May 28, 2015, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Trillium Health Partners

Statement of Financial Position

As at March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash	189,122	205,958
Short-term investments (note 3)	7,361	7,076
Accounts receivable - Ministry of Health and Long-Term Care, Mississauga-Halton Local Health Integration Network and other Ministries	28,683	22,445
Other receivables	20,337	18,907
Inventories	6,285	6,106
Prepaid expenses	10,276	6,198
	<hr/>	<hr/>
	262,064	266,690
Capital assets (note 4)	699,346	654,969
Intangible assets - licences	2,892	2,892
Other receivables (note 4)	34,304	-
Restricted cash and long-term investments (note 3)	22,175	19,962
	<hr/>	<hr/>
	1,020,781	944,513

Approved by the Board of Directors



EDWARD SELLERS

Director



CHITWANT KOHLI

Director

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

Trillium Health Partners

Statement of Financial Position ...continued

As at March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	119,221	113,298
Due to Ministry of Health and Long-Term Care, Mississauga-Halton Local Health Integration Network and other Ministries	5,886	11,388
Deferred contributions	5,924	2,780
Provincial capital grant	4,236	4,236
Obligation under capital leases (note 6)	504	172
Current portion of long-term debt (note 8)	2,787	3,393
	<hr/> 138,558	<hr/> 135,267
Long-term debt (note 8)	41,467	44,254
Fair value adjustment for interest rate swap	669	860
Obligation under capital leases (note 6)	-	504
Employee future benefits (note 9)	36,677	28,847
Legal defense fund	1,755	-
Other long-term obligations (note 4)	39,481	-
Deferred capital grants and contributions (note 7)	489,374	462,601
	<hr/> 747,981	<hr/> 672,333
Net Assets		
Investment in capital assets	165,214	144,045
Internally restricted - major initiatives	88,665	92,868
Internally restricted - other	5,525	5,475
Unrestricted	13,560	28,995
	<hr/> 272,964	<hr/> 271,383
Accumulated remeasurement gains (losses)	(164)	797
	<hr/> 272,800	<hr/> 272,180
	<hr/> 1,020,781	<hr/> 944,513
Commitments and contingencies (note 11)		

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

Trillium Health Partners

Statement of Operations

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Revenue		
Ministry of Health and Long-Term Care, Mississauga-Halton Local Health Integration Network and other Ministries	825,126	818,570
Other income	59,058	43,379
Investment income	2,880	3,121
Amortization of deferred capital grants and contributions - equipment	5,417	6,747
Other agencies and patients	93,407	85,847
Special programs - Ministries of Health and Long-Term Care and Community and Social Services	30,930	29,541
	<u>1,016,818</u>	<u>987,205</u>
Expenses		
Salaries, wages and employee benefits	674,833	645,606
Medical and surgical	68,707	66,376
Drug supplies	46,224	44,021
Other supplies and expenses	160,622	134,309
Amortization - equipment	23,002	23,850
Special programs - Ministries of Health and Long-Term Care and Community and Social Services	30,867	29,478
	<u>1,004,255</u>	<u>943,640</u>
Excess of revenue over expenses as per Hospital accountability agreement	<u>12,563</u>	<u>43,565</u>
Amortization of deferred capital grants and contributions - building	15,550	13,768
Amortization - land improvements and buildings	(24,438)	(23,703)
Interest on long-term debt	(2,094)	(2,231)
	<u>(10,982)</u>	<u>(12,166)</u>
Excess of revenue over expenses for the year	<u>1,581</u>	<u>31,399</u>

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

Trillium Health Partners

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Accumulated remeasurement gains - Beginning of year	797	710
Unrealized gains (losses) attributable to		
Long-term investments	(625)	668
Interest rate swaps	191	(225)
Amounts reclassified to statement of operations		
Loss on sale of long-term investments	(527)	(356)
Net remeasurement gains (losses) for the year	(961)	87
Accumulated remeasurement gains (losses) - End of year	(164)	797

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

Trillium Health Partners

Statement of Changes in Net Assets For the year ended March 31, 2016

(in thousands of dollars)

	2016			2015		
	Investment in capital assets \$	Internally restricted - major initiatives \$	Internally restricted - other \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	144,045	92,868	5,475	28,995	271,383	239,984
Excess of revenue over expenses before the undernoted	-	(378)	50	28,377	28,049	58,426
Realized gain on capital assets retirement	-	-	-	5	5	11
Amortization of capital assets	(47,440)	-	-	-	(47,440)	(47,553)
Amortization of deferred capital grants and contributions	20,967	-	-	-	20,967	20,515
	(26,473)	(378)	50	28,382	1,581	31,399
Acquisition of capital assets	91,817	(3,825)	-	(87,992)	-	-
Payment of capital leases	172	-	-	(172)	-	-
Payment of long-term debt	3,393	-	-	(3,393)	-	-
Deferred capital grants and contributions received	(47,740)	-	-	47,740	-	-
	47,642	(3,825)	-	(43,817)	-	-
Balance - End of year	165,214	88,665	5,525	13,560	272,964	271,383

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

Trillium Health Partners

Statement of Cash Flows

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	1,581	31,399
Amortization of capital assets	47,440	47,553
Amortization of deferred capital grants and contributions	(20,967)	(20,515)
Employee future benefits	7,830	1,973
Legal defense fund	1,755	
Gain on capital assets retirement	(5)	(11)
Gain on sale of long-term investments	(527)	(357)
	<u>37,107</u>	<u>60,042</u>
Changes in non-cash operating items		
Accounts receivable	(41,972)	5,117
Inventories	(179)	(370)
Prepaid expenses	(4,078)	(1,240)
Accounts payable and accrued liabilities	(843)	3,255
Deferred contributions	3,144	672
Due to Ministry of Health and Long-Term Care, Mississauga-Halton Local Integration Network and other Ministries	(5,502)	(51,003)
	<u>(12,323)</u>	<u>16,473</u>
Investing activities		
Purchase of short-term investments - net	(285)	(4)
(Purchase) sale of long-term investments - net	789	(974)
Changes in fair value of investments	(1,152)	312
	<u>(648)</u>	<u>(666)</u>
Capital activities		
Proceeds from disposal of capital assets	5	14
Acquisition of capital assets	(45,570)	(43,018)
	<u>(45,565)</u>	<u>(43,004)</u>
Financing activities		
Deferred capital grants and contributions received	47,740	12,391
Net contribution to legal defense fund	(2,475)	-
Repayment of long-term debt	(3,393)	(3,269)
Obligation under capital leases	(172)	(762)
	<u>41,700</u>	<u>8,360</u>
Decrease in cash during the year	(16,836)	(18,837)
Cash - Beginning of year	205,958	224,795
Cash - End of year	189,122	205,958
Supplemental disclosure		
Capital asset additions included in accounts payable and accrued liabilities	10,115	3,349
Capital asset additions and deferred capital contributions received during the year for \$nil consideration	-	8,404
Capital asset acquisitions funded by long-term obligations	39,481	-

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

Trillium Health Partners

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

1 Operations

Trillium Health Partners (the Hospital) is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the Ministry of Health and Long-Term Care (the Ministry) and the Mississauga-Halton Local Health Integration Network (the LHIN). The Hospital Service Accountability Agreement (HSAA) sets out the performance standards and obligations of the Hospital and established acceptable results for the Hospital's performance.

2 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) including accounting standards that apply only to government not-for-profit organizations.

These financial statements include the assets, liabilities and activities of the Hospital.

The financial statements do not include the assets, liabilities or operations of Trillium Health Partners Foundation (THP Foundation) or Trillium Health Partners Volunteers (THP Volunteers), formerly named the Volunteers of Trillium Health Centre, as the respective organizations are not controlled by the Hospital, maintain their own accounts and report separately from the Hospital to their own governing bodies.

Internally restricted - major initiatives

The Hospital internally restricts net assets for strategic initiatives over the next several years including replacement of the Hospital's information systems, advancing the Hospital's planning and redevelopment, and funding the Hospital's share of Ministry approved capital projects, research and innovation.

Internally restricted - other

The Hospital internally restricts net assets from endowment funds that are used for specific purposes including education and innovation.

Trillium Health Partners

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Revenue recognition

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

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

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

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

Contributed materials and services

A substantial number of volunteers contribute a significant amount of time each year to the Hospital.

Due to the difficulty in determining the fair value of these contributed services received directly by the Hospital, these volunteered/contributed services are not recognized or disclosed in the financial statements and related notes to the financial statements.

Financial instruments

Financial instruments are financial assets or liabilities of the Hospital which, in general, provide the Hospital the right to receive cash or another financial asset from another party or require the Hospital to pay another party cash or other financial assets.

Trillium Health Partners

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

All financial instruments reported on the statement of financial position of the Hospital are classified as follows:

Cash	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Restricted cash and long-term investments	fair value
Accounts payable and accrued liabilities	amortized cost
Obligation under capital lease	amortized cost
Due to/from the Ministry/LHIN and other ministries	amortized cost
Long-term debt	amortized cost
Interest rate swaps	fair value
Provincial capital grant	amortized cost

Transaction costs on assets measured at fair value are expensed as incurred.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The Hospital's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

The Hospital has entered into interest rate swap contracts to manage exposure to interest rate risks. The unrealized gain or loss on the interest rate swap is recorded in the statement of remeasurement gains and losses.

The fair value of the hedging derivative is estimated based on the standard swap valuation methodology. That is, the value of the swap is calculated as the difference between the present values of the future cash flows associated with the floating-receive leg and the fixed pay leg. The fair value estimates are not necessarily indicative of the amounts that the Hospital might receive or pay in actual market transactions.

The Hospital does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. Net other than temporary losses on individual financial instruments are recognized as a loss in the statement of operations when a financial instrument is determined to have another than temporary impairment.

Inventories

Inventories are recorded at the lower of average cost or net realizable value.

Trillium Health Partners

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Expenditures for new facilities or expenditures, 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. Amortization is provided on a straight-line basis at the following annual rates based on the estimated useful lives of the assets:

Land improvements	2% - 20%
Buildings	2% - 10%
Equipment	5% - 33%

Construction-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Equipment under capital lease

Equipment under lease, that effectively transfers substantially all of the benefits and risks of ownership to the Hospital as the lessee, is recorded as capital assets at the present value of the minimum payments under the lease with a corresponding liability for the related lease obligations. Equipment under capital lease is amortized over its estimated useful life at the same rates used for similar equipment.

Impairment of long-lived assets

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

Intangible assets

Intangible assets include long-term care licences acquired by the Hospital and are stated at cost. The cost of the licences is not subject to amortization, as the licences have indefinite useful lives.

Short-term investments

Short-term investments are comprised of short-term deposits with a maturity at acquisition of less than 92 days. The Hospital determines fair value by reference to quoted bid and ask prices, as appropriate, where available. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

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Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Long-term investments

Equity and fixed income securities are carried at fair value. The fair value of securities that are actively traded is valued at the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

Joint venture

Investments in jointly controlled entities are accounted for using the modified equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize the Hospital's share of the jointly controlled entity's net surplus or deficit for its fiscal year ending within the Hospital's fiscal year. Any distributions received are accounted for as a reduction in the investment.

Pension plan

Employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (HOOPP), which is a multi-employer best five consecutive year average pay defined benefit pension plan. The Hospital expenses contributions to the plan in the year they are due.

Employee future benefits

The cost of post-employment benefits is determined using the projected benefit method pro-rated on service and various assumptions. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. Effective December 31, 2014 the spread is equal to 50% of the yield spread between Ontario provincial and AA corporate bonds. Actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed in the period of the plan amendment.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued liabilities, deferred revenue and employee future benefits.

The revenue recognized from the Ministry and the LHIN requires some estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry and the LHIN for the year ended March 31, 2016. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and the LHIN have the right to adjust funding received by the Hospital. Neither the Ministry nor the LHIN are

Trillium Health Partners

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry and LHIN funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

3 Investments

	2016		2015	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Short-term investments	7,397	7,361	7,091	7,076
Investment in Credit Valley Trillium ProResp Inc.	198	198	198	198
Restricted cash and cash equivalents	3,913	3,895	3,845	3,845
Restricted cash - legal defense fund	2,475	2,475	-	-
Fixed income securities	9,931	10,105	9,989	10,329
Equity securities	5,117	5,502	4,257	5,590
Restricted cash and long-term investments	21,634	22,175	18,289	19,962
	29,031	29,536	25,380	27,038

Under the terms of a trust agreement with the Ministry, the Hospital is required to maintain funds to support certain future payments under long-term financing arrangements. These amounts are included in the restricted cash and cash equivalents balances within long-term investments.

A total of 50% (2015 - 47%) of the fixed income securities at fair value are issued by the provincial and Canadian governments and 50% (2015 - 53%) by Canadian corporations.

The weighted average term to maturity for fixed income securities is approximately 6.1 years (2015 - 6.3 years).

Approximately 60% (2015 - 59%) of the equity securities at fair value are issued by Canadian corporations, 20% (2015 - 21%) by US corporations and 20% (2015 - 20%) by international corporations.

The Hospital has a joint venture agreement with Professional Respiratory Home Care Service Corp., contributing \$0.1 for a 50% interest in Credit Valley Trillium ProResp Inc. As at March 2016, the investment was \$198 (2015 - \$198). The Hospital has a management services agreement with Credit Valley Trillium ProResp Inc. to provide supervisory and management services in return for a management fee. Management fee income of \$400 (2015 - \$250) has been included in the statement of operations as other income.

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March 31, 2016

(in thousands of dollars)

Effective January 1, 2015, the Hospital entered into an agreement with Health Care Insurance Reciprocal of Canada (HIROC) where the Hospital assumes the cost of investigating and defending any litigation claims. Under the agreement, the Hospital provides deposits to HIROC Management Limited (HML) that acts as an agent to pay all claims defense costs on behalf of the Hospital. The cash balance of \$2,475 is restricted for these payments.

4 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Land	3,216	-	3,216
Buildings and land improvements	819,689	294,140	525,549
Equipment	420,004	335,880	84,124
Equipment under capital lease	1,191	476	715
Construction-in-progress	85,742	-	85,742
	<u>1,329,842</u>	<u>630,496</u>	<u>699,346</u>
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Land	3,216	-	3,216
Buildings and land improvements	807,151	269,546	537,605
Equipment	401,894	315,736	86,158
Equipment under capital lease	1,265	312	953
Construction-in-progress	27,037	-	27,037
	<u>1,240,563</u>	<u>585,594</u>	<u>654,969</u>

In 2015, Cancer Care Ontario transferred capital assets in the amount of \$8,404 for \$nil consideration.

Facility redevelopment

In November 2014, under the Ontario government's alternative financing and procurement program, the Hospital entered into agreements with the Ministry and with a third party construction company, Walsh Infrastructure Credit Valley Ltd. (Project Co), to build and finance redevelopment at its Credit Valley Hospital site. The total cost of construction, financing and equipment is \$141,897 including fixed interest of \$7,087. The approved maximum grant from the Ministry is \$117,579. The remaining funding will be raised through the Hospital's operations and the THP Foundation.

During construction, the Hospital in substance retains title to the capital assets being constructed by Project Co. As a result, the Hospital records the value of construction-in-progress based percentage of completion as certified periodically by an independent certifier. As at March 31, 2016, the

Trillium Health Partners

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March 31, 2016

(in thousands of dollars)

construction is about 38.5% complete. Costs totalling \$39,481 have been recorded as construction-in-progress, including interest of \$2,728. Based on the payment terms in the project agreement, the Hospital has recorded long-term obligations to Project Co in the amount of \$39,481 and a long-term receivable of \$34,304 from the Ministry. Deferred grants in the amount of \$34,304 have been included in deferred grants (note 7). A change in the estimated percentage of completion by 1% would increase/decrease the construction in progress by \$1,025 with a corresponding increase/decrease in long-term payable.

5 Credit facilities

The Hospital has an available line of credit of \$40,000 at the Royal Bank of Canada (RBC) prime rate minus 0.75%. As at March 31, 2016, \$100 is utilized for letters of credit (2015 - \$100 utilized for letters of credit). As well, the Hospital has an available line of credit for leases of \$13,000. As at March 31, 2016, the full amount was unutilized (2015 - the full amount was unutilized).

6 Capital lease obligation

The Hospital has undertaken to lease certain operating equipment. The effective interest rates of the capital leases are 1.2%. Future minimum payments under the capital leases include \$506 payable in the year ended March 31, 2017 including \$2 representing interest.

Interest included in the statement of operations related to the capital lease is \$7 (2015 - \$43).

7 Deferred capital grants and contributions

Deferred capital grants and contributions include the unamortized balance of funding received from the Ministry for approved capital construction projects and the unamortized and unspent amounts of restricted donations from the THP Foundation, the THP Volunteers and other sources, which were specified for and will be used for future capital asset acquisitions and development.

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(in thousands of dollars)

The changes for the year in the deferred balance reported in these funds are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	462,601	462,321
Amortized to revenue during the year	(20,967)	(20,515)
Amount received/receivable	47,740	20,795
Balance - End of year	489,374	462,601

Included in deferred capital grants and contributions is \$3,833 (2015 - \$3,780) restricted by the Ministry for amounts advanced to the Hospital for redevelopment.

The investment in capital assets comprise the following:

	2016 \$	2015 \$
Capital assets (note 4)	699,346	654,969
Amounts financed by deferred capital grants and contributions	(489,374)	(462,601)
Amounts financed by long-term debt (note 8)	(44,254)	(47,647)
Amounts financed by capital leases (note 6)	(504)	(676)
	165,214	144,045

8 Long-term debt

	2016 \$	2015 \$
Loan due November 1, 2020, interest at 7.14%, requiring current monthly principal repayments of approximately \$29, secured by a first charge on parking revenue	1,900	2,231
Loan due March 31, 2016, paid in full on March 31, 2016	-	917
Loan due June 30, 2021, interest at prime, requiring current monthly principal repayments of approximately \$184, interest fixed at 3.42% through an interest rate swap contract, secured by a second charge on parking revenue	12,354	14,499
Loan due December 1, 2036, interest at 4.87%, requiring no principal payments until January 1, 2017, unsecured, monthly principal payment of approximately \$74 thereafter	30,000	30,000
	44,254	47,647
Less: Current portion	2,787	3,393
	41,467	44,254

In July 2000, the Hospital entered into a loan agreement as financing for a parking garage expansion. The loan is due November 1, 2020. The bank loan and interest rate swap due March 31, 2016 were entered into on March 31, 2006 in connection with an additional parking expansion. The bank loan

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March 31, 2016

(in thousands of dollars)

and interest rate swap due June 30, 2021 were entered into on June 30, 2011 as financing for the expansion of a parking garage and building.

On December 1, 2006, the Hospital entered into a fixed rate unsecured loan agreement, in the amount of \$30 million, for a term of 30 years. The proceeds were used to primarily finance the construction of a new clinical administration building in Mississauga, Ontario. Interest only is payable, monthly in arrears, during the first ten years of the term beginning January 1, 2007. There are no principal repayments to be paid until January 1, 2017 at which time blended payments of principal and interest shall commence. The interest rate is fixed at 4.87% for the 30-year term. Interest arising from this debt instrument amounted to \$1,461 (2015 - \$1,461).

Required principal repayments on the long-term debt are as follows:

	\$
2017	2,787
2018	3,575
2019	3,719
2020	3,867
2021	3,860
Thereafter	<u>26,446</u>
	<u>44,254</u>

9 Employee future benefits

The date of the last actuarial valuation was March 31, 2015.

Pension plan

HOOPP is a multi-employer best five consecutive year average pay defined benefit pension plan. Enrolment in HOOPP is mandatory for full-time staff on the hire date. Part-time employees may qualify for optional membership. Contributions made to the Plan during the year by the Hospital amounted to \$38,866 (2015 - \$38,144) and are included in salaries, wages and employee benefits in the statement of operations.

Employee future benefits

Certain employees of the Hospital are entitled to post-employment benefits. The Hospital recognizes the present value of its obligation from these benefits as they are earned.

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(in thousands of dollars)

The annual cost of employee future benefits are included in salaries, wages and employee benefits expense in the statement of operations.

	2016 \$	2015 \$
Change in benefit obligation		
Accrued benefit obligation - Beginning of year	36,616	28,359
ONA past service cost	4,526	-
	<hr/>	<hr/>
Adjusted accrued benefit obligations	41,142	28,359
Current period benefit cost	3,056	2,115
Interest on accrued benefits	1,301	1,190
Benefit payments	(1,674)	(1,459)
Actuarial losses (gains)	(1,372)	6,411
	<hr/>	<hr/>
Accrued benefit obligation - End of year	42,453	36,616
	<hr/>	<hr/>
Accrued benefit obligation - End of year	42,453	36,616
Unamortized actuarial losses	(5,776)	(7,769)
	<hr/>	<hr/>
Accrued benefit liability - End of year	36,677	28,847
	<hr/>	<hr/>
Expense recorded in the statement of operations		
Current period benefit cost	3,056	2,115
ONA past service cost	4,526	-
Amortization of actuarial losses	620	127
Interest expense	1,301	1,190
	<hr/>	<hr/>
	9,503	3,432
	<hr/>	<hr/>
Significant assumptions		
Discount rate - accrued benefit obligation (%)	3.25	3.00
Dental cost trend rate (%)	3.75	3.75
Extended health-care trend rates	see (a) below	see (b) below
Expected average remaining service life to retirement (years)	13	13

Extended health care trend rates are as follows:

- a) 2016 - 7.0% in fiscal 2016; decreasing by 0.25% per annum to 4.75% and thereafter in 2025.
- b) 2015 - 7.0% in fiscal 2015; decreasing by 0.25% per annum to 4.75% and thereafter in 2024.

Employee future benefits were awarded under arbitration held on May 4, 2015 to ONA employees. Effective from March 31, 2016, ONA employees are eligible for post-employment medical and dental benefits. This was treated as a past service cost.

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10 Related party transactions and balances

The Hospital is related to the THP Foundation and the THP Volunteers. The THP Volunteers support the volunteer programs directed by the volunteer services department of the Hospital and raise funds for the support of the Hospital. The THP Foundation raises funds to support operating initiatives and capital projects of the Hospital. The Hospital does not exercise control or significant influence over the THP Volunteers or the THP Foundation; consequently, the financial statements do not include the assets, liabilities, and activities of the THP Volunteers and the THP Foundation, which, although related to the Hospital, are not controlled by it.

Related party transactions during the year not separately disclosed in the financial statements include the following:

	THP Foundation \$	THP Volunteers \$	2016 Total \$	2015 Total \$
Capital grants and contributions received during the year	387	2	389	6,628
Operating contributions	4,875	23	4,898	1,728
	5,262	25	5,287	8,356

On May 1, 2003, the Hospital leased parking facilities to the THP Foundation. During the term of the lease, payments were \$85 per month. Effective November 1, 2014 the Hospital terminated the lease.

On January 1, 2010, the Hospital leased additional parking facilities to the THP Foundation. During the term of the lease payments were \$100 per month. Effective November 1, 2014, the Hospital terminated the lease.

In addition, the Hospital entered into management agreements with the THP Foundation whereby the Hospital was appointed manager of the parking facility. Included in other income on the statement of operations is \$nil (2015 - \$6,236) of management fee revenue and \$nil (2015 - \$1,295) of rental revenue related to these agreements with the THP Foundation. Effective November 1, 2014, the Hospital terminated these agreements.

In conjunction with two other hospitals, the Hospital is a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West (SSW). SSW is a not-for profit corporation, administered by a ten-member board including four voting members from the Hospital and four from the other member hospitals. During the year, the Hospital paid membership fees and capital contributions to SSW in the amount of \$4,797 (2015 - \$5,227). SSW provides purchasing, contract management and logistics services for the Hospital. On behalf of SSW, the Hospital in prior years provided a guarantee of 51% of a \$2,500 credit facility. This credit facility is no longer in place. (As at March 31, 2015, the outstanding balance on this credit facility was \$73). There is no balance outstanding. During the year, the Hospital provided employee health and safety advisory services to SSW and charged \$12 (2015 - \$12) for its services.

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11 Contingencies, commitments and guarantees

The Hospital is named in lawsuits from time to time. With respect to claims as at March 31, 2016, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital is a member of HIROC and, therefore, has an economic interest in HIROC. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2016.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors at HIROC.

Effective January 1, 2015, the Hospital entered into an agreement with HIROC whereby HIROC will provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claim will be paid by the Hospital. The Hospital has appointed HML to act as agent for the Hospital for such claims in accordance with an Agency Agreement. Costs associated with claims arising prior to January 1, 2015 will be borne by HIROC. Projected costs of defending claims that arise subsequent to January 1, 2015 are based on claims defense costs incurred by HIROC in the past. In fiscal 2016, an additional \$1,789 was recorded for claims defense costs and included in the financial statements as supplies and other expenses in the statement of operations.

The Hospital's current operating lease commitments for the following years are as follows:

	\$
2017	454
2018	305
2019	184
2020	43
2021	19
	<hr/>
	1,005

Under the Ontario government's alternative financing and procurement program, on November 26, 2014, the Hospital entered into a project agreement with a third party construction company, Project Co, to build and finance at Credit Valley Hospital Priority Areas Redevelopment Project. The total costs for this project including fixed financing costs of \$7,087 and all ancillary costs are expected to be \$141,897. Construction began in 2015 and should be completed in 2018. See Note 4 for current progress.

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(in thousands of dollars)

The Hospital has entered into an agreement with a former service provider to pay contingent on certain services being provided. As at March 31, 2016, \$1,625 has not been recorded in the statements as the services have not been rendered. The other costs have been set up in the financial statements.

Indemnity has been provided to all directors and 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 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.

12 Financial instruments

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability.

The fair value of the interest rate swap is determined using the discounted cash flow method.

Fair value hierarchy

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.

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The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as at March 31, 2016:

	Fair value asset (liability) \$	Level 1 \$	Level 2 \$	Level 3 \$
Cash	189,122	189,122	-	-
Restricted cash	6,370	6,370	-	-
Short-term investments	7,361	7,361	-	-
Investments in equity securities	5,502	5,502	-	-
Investments in fixed income securities	10,105	-	10,105	-
Interest rate swaps	(669)	-	(669)	-

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as at March 31, 2015:

	Fair value asset (liability) \$	Level 1 \$	Level 2 \$	Level 3 \$
Cash	205,958	205,958	-	-
Restricted cash	3,845	3,845	-	-
Short-term investments	7,076	7,076	-	-
Investments in equity securities	5,590	5,590	-	-
Investments in fixed income securities	10,329	-	10,329	-
Interest rate swaps	(860)	-	(860)	-

Risks arising from financial instruments and risk management

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

Credit risk

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

The Hospital's credit risk is primarily attributable to its receivables. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital does not have any significant past due accounts receivable that are not provided for. The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care to patients regardless of their ability to pay for the services provided.

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As at March 31, 2016, the following patient accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	120 days \$
Accounts receivable	8,166	2,145	475	641

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

Liquidity risk

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they come due. The Hospital monitors its operations and cash flows to ensure current and future obligations will be met. The Hospital believes its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

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

	To 1 year \$	1 year to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	119,221	-	-	119,221
Other long-term	-	39,481	-	39,481
Long-term debt	4,760	24,420	34,663	63,843

Market risk

The Hospital is exposed to interest rate risk and price risk with regard to its short and long-term investments and interest rate risk on its long-term debt, all of which are regularly monitored. The interest rate risk on long-term debt is mitigated through interest rate swap contracts (note 8).

13 Reclassification of comparative figures

Certain of the prior year comparative figures relating to accounts payable and deferred liabilities, long-term debt and fair value adjustment for interest rate swap, and net assets have been reclassified to conform to the current year's financial statement presentation.

