Trillium Health Partners

Financial Statements
March 31, 2020

Independent auditor's report

To the Board of Directors of Trillium Health Partners

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Trillium Health Partners (the Hospital) as at March 31, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Hospital's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Other information

Management is responsible for the other information. The other information comprises the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 24, 2020

Trillium Health Partners

Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)

	2020 $	2019 $
Assets		
Current assets		
Cash	140,050	174,920
Short-term investments (note 4)	157,495	157,861
Accounts receivable		
Ministry of Health and other ministries	20,169	16,335
Other	26,450	24,255
Inventories	10,293	7,834
Prepaid expenses	13,564	12,458
	368,021	393,663
Capital assets (note 5)	861,413	825,315
Other long-term assets	10,300	6,361
Long-term investments, restricted cash and cash equivalents (note 4)	25,232	25,225
	1,264,966	1,250,564
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	143,613	132,752
Due to Ministry of Health and other Ministries	6,506	4,912
Deferred contributions	10,364	6,468
Provincial capital grant	4,236	4,236
Current portion of long-term debt (note 8)	3,860	3,866
	168,579	152,234
Long-term debt (note 8)	225,323	229,171
Employee future benefits (note 9)	44,271	42,628
Legal defense liability (note 11(b))	5,492	4,540
Deferred capital grants and contributions (note 7)	533,369	534,405
	977,034	962,978

Approved by the Board of Directors

Karen Wensley Director Alan MacGibbon Director

Karen Wensley, Board Treasurer Alan MacGibbon, Board Chair

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

Trillium Health Partners

Statement of Financial Position ...*continued*

As at March 31, 2020

(in thousands of dollars)

	2020 $	2019 $
Net Assets		
Investment in capital assets (note 7)	225,386	226,162
Internally restricted – major initiatives	31,280	32,655
Internally restricted – other	5,882	5,748
Unrestricted	26,607	23,009
	289,155	287,574
Accumulated remeasurement (losses) gains	(1,223)	12
	1,264,966	1,250,564

Contingencies, commitments and guarantees (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, 2020

(in thousands of dollars)

	2020 $	2019 $
Revenue		
Ministry of Health and other ministries	962,378	927,206
Other agencies and patients	101,847	98,086
Other income	105,610	74,824
Amortization of deferred capital grants and contributions – equipment	6,748	6,879
Investment income	7,657	4,725
Special programs – Ministries of Health and Community and Social Services	37,577	36,134
	1,221,817	1,147,854
Expenses		
Salaries, wages and employee benefits	798,912	755,622
Medical and surgical	82,024	77,759
Drug supplies	64,635	52,190
Supplies and other expenses	189,682	176,125
Amortization – equipment	29,869	26,871
Special programs – Ministries of Health and Community and Social Services	37,538	36,097
	1,202,660	1,124,664
Excess of revenue over expenses before the undernoted	19,157	23,190
Amortization of deferred capital grants and contributions – building	23,493	20,639
Amortization – buildings and land improvements	(35,265)	(35,141)
Interest on long-term debt	(5,804)	(3,048)
	(17,576)	(17,550)
Excess of revenue over expenses for the year	1,581	5,640

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, 2020

(in thousands of dollars)

	2020 $	2019 $
Accumulated remeasurement gains (losses) – Beginning of year	12	(147)
Unrealized (losses) gains attributable to		
Long-term investments	(1,215)	99
Interest rate swaps	18	34
Amounts reclassified to statement of operations		
Change in fair value of long-term investments	(38)	26
Net remeasurement gains (losses) for the year	(1,235)	159
Accumulated remeasurement (losses) gains – End of year	(1,223)	12

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, 2020

(in thousands of dollars)

	Investment in capital assets $ (note 7)	Internally restricted – major initiatives $	Internally restricted – other $	Unrestricted $	2020 Total $	2019 Total $
Balance – Beginning of year	226,162	32,655	5,748	23,009	287,574	281,934
Excess of revenue over expenses for the year	(34,923)	-	-	36,504	1,581	5,640
Acquisition of capital assets	101,232	2,163	-	(103,395)	-	-
Repayment of long-term debt	3,866	-	-	(3,866)	-	-
Capital assets acquired through long-term debt	(41,746)	-	-	41,746	-	-
Deferred capital grants and contributions received	(29,205)	-	-	29,205	-	-
Other transfers	-	(3,538)	134	3,404	-	-
Balance – End of year	225,386	31,280	5,882	26,607	289,155	287,574

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

Trillium Health Partners

Statement of Cash Flows

For the year ended March 31, 2020

(in thousands of dollars)

	2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	1,581	5,640
Add (deduct) items not affecting cash		
Amortization of capital assets	65,134	62,012
Amortization of deferred capital grants and contributions (note 7)	(30,241)	(27,518)
Amortization of debenture transaction fees	30	7
Employee future benefits	1,643	1,475
Legal defense liability	952	562
Gain on disposal of capital assets	-	(4)
Reinvested investment income	(704)	(1,007)
Change in fair value of long-term investments	(38)	26
	38,357	41,193
Changes in non-cash operating items		
Accounts receivable	(6,029)	2,526
Due from Ministry of Health, Phase 3 Project	-	83,331
Other receivables	-	6,118
Inventories	(2,459)	(1,588)
Prepaid expenses	(1,106)	(787)
Other long-term assets	(2,858)	-
Accounts payable and accrued liabilities	8,164	15,198
Deferred contributions	3,896	1,332
Due to Ministry of Health and other Ministries	1,594	255
	39,559	147,578
Investing activities		
Purchase of investments	-	(150,000)
Increase in other long-term assets	(1,081)	(1,299)
Increase in restricted cash and cash equivalents	(152)	(139)
	(1,233)	(151,438)
Capital activities		
Proceeds from disposal of capital assets	-	7
Acquisition of capital assets	(98,535)	(212,836)
	(98,535)	(212,829)
Financing activities		
Proceeds from issuance of debentures	-	200,000
Transaction costs paid on issuance of debentures	-	(1,205)
Deferred capital grants and contributions received	29,205	12,012
Repayment of long-term debt	(3,866)	(3,719)
	25,339	207,088
Decrease in cash during the year	(34,870)	(9,601)
Cash – Beginning of year	174,920	184,521
Cash – End of year	140,050	174,920
Non-cash transactions		
Increase (decrease) in accounts payable and accrued liabilities related to capital asset additions	2,697	(11,932)
Decrease in long-term obligations related to Phase 3 Project	-	(93,810)

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

(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 the Ministry of Health (the Ministry). The Hospital Service Accountability Agreement (HSAA) sets out the performance standards and obligations of the Hospital and establishes 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 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 (the THP Foundation), as the THP Foundation is not controlled by the Hospital.

Internally restricted – major initiatives

The Board of Directors of the Hospital internally restricts net assets for strategic initiatives such as replacement of the Hospital's information systems, advancing the Hospital's planning and redevelopment and funding the Hospital's share of Ministry approved capital, research and innovation projects.

Internally restricted – other

The Hospital internally restricts net assets as endowment funds to be used for specific purposes including education and innovation.

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.

(in thousands of dollars)

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. 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. The Hospital has entered into an accountability agreement with the Ministry, which requires the Hospital to meet certain financial and non-financial performance indicators.

All investment income that is unrestricted is 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.

Other income is primarily derived from the Hospital's pharmacies, parking and certain clinics. Revenue is recognized when services are performed or goods are delivered.

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.

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
Due to/from the Ministry 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. Transaction costs incurred in relation to the issuance of long-term debt are netted against the amortized cost.

(in thousands of dollars)

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 fair value of the hedging derivative is calculated as the difference between the present values of the future cash flows associated with the floating-receipt 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 unrealized gain or loss on the interest rate swap is recorded in the statement of remeasurement gains and losses.

The Hospital does not hold or issue derivative financial instruments for trading or speculative purposes.

Inventories

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

Capital assets

Capital assets are recorded at cost. Betterments that extend the estimated life of an asset are capitalized. Contributed capital assets are recorded at fair value at the date of contribution. Maintenance, renovation, repairs and minor replacements to maintain normal operating efficiency 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 and information systems	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.

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.

Short-term investments

Short-term investments comprise short-term deposits and include guaranteed investment certificates that are fully redeemable within 90 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.

(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. Defined contribution accounting is applied to HOOPP since it is a multi-employer defined benefit plan and, therefore, the Hospital expenses contributions to the plan in the year they are due.

Employee future benefits

For other non-pension defined plans, the cost of post-employment benefits earned by employees is actuarially determined using the accrued benefit method, pro-rated on service, and management's best estimate of salary escalation (where applicable), 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 rate of return on provincial government and corporate bonds for varying durations based on the cash flows expected from the post-employment benefit obligations. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past service costs relating to plan amendments are expensed when incurred.

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. The coronavirus (COVID-19) pandemic has added to the Hospital's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported as at March 31, 2019. Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued and contingent liabilities, deferred revenue and employee future benefits.

Employee future benefits liabilities (note 9) are subject to measurement uncertainty because actual results may differ significantly from the Hospital's best long-term estimate of expected results. For example, the difference between actual results and actuarial assumptions regarding health-care cost trend rates for retiree benefits may be significant.

(in thousands of dollars)

The revenue recognized from the Ministry 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 for the year ended March 31, 2020. 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 has the right to adjust funding received by the Hospital. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry 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 Financial impacts of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. As a result of the COVID-19 pandemic, the Hospital experienced a change in the demand for its services and incurred unbudgeted pandemic response expenditures. The Hospital estimates that the pandemic-related incremental operating expenditures amounted to approximately $4,060, and capital investments associated with the pandemic amounted to approximately $449 up to March 31, 2020. Any funding that may be received in the future, once provincial policies for reimbursement of pandemic related expenditures are finalized, will be recognized in the period in which Ministry approvals are obtained.

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

4 Investments, restricted cash and cash equivalents

	2020 $	2019 $
Short-term investments	157,495	157,861
Investment in Credit Valley Trillium ProResp Inc.	198	198
Restricted cash and cash equivalents	6,909	6,757
Fixed income securities	11,397	11,888
Equity securities	6,728	6,382
Long-term investments, restricted cash and cash equivalents	25,232	25,225
	182,727	183,086

(in thousands of dollars)

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 31, 2020, the investment was $198 (2019 – $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 $300 (2019 – $300) has been included in the statement of operations as other income.

The Hospital invested $18,125 (2019 – $18,270) in Equity and Fixed Income security investments. These funds are not restricted to specific projects or initiatives. As the Hospital is not planning to utilize these funds in the near term, these investments are considered long-term investments.

The carrying value of equity securities amounts to $8,050 (2019 – $6,302).

5 Capital assets

			2020
	Cost $	Accumulated amortization $	Net $
Land	12,656	-	12,656
Buildings and land improvements	1,052,748	415,828	636,920
Equipment and information systems	565,134	391,220	173,914
Construction-in-progress	35,031	-	35,031
Other	2,892	-	2,892
	1,668,461	807,048	861,413

			2019
	Cost $	Accumulated amortization $	Net $
Land	11,622	-	11,622
Buildings and land improvements	1,024,888	379,247	645,641
Equipment and information systems	507,511	365,525	141,986
Construction-in-progress	23,174	-	23,174
Other	2,892	-	2,892
	1,570,087	744,772	825,315

In January 2019, the Hospital entered into an agreement with Epic Systems Corporation to develop and implement a new hospital information system to provide an integrated information platform that supports standardized care and enhances the clinician and patient experience. The project is in development and therefore will not be amortized until it is available for use. This project is expected to go live in fiscal 2021. Total capital costs incurred to date are $72,293, (2019 – $38,511) including capitalized interest of $3,863 (2019 – $713) which are included in equipment and information systems.

(in thousands of dollars)

6 Credit facilities

The Hospital has an available line of credit of $40,000 at the Royal Bank of Canada at prime rate minus 0.75%. As at March 31, 2020, $100 is utilized for letters of credit. As well, the Hospital has an available line of credit for leases of $13,000 and, as at March 31, 2020, the full amount was unutilized.

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 and other sources, which were specified for and will be used for future capital asset acquisitions and development.

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

	2020 $	2019 $
Balance – Beginning of year	534,405	549,911
Amortized to revenue during the year	(30,241)	(27,518)
Amount received/receivable	29,205	12,012
Balance – End of year	533,369	534,405

Included in deferred capital grants and contributions is $4,236 (2019 – $4,013) restricted by the Ministry for amounts advanced to the Hospital for redevelopment.

The investment in capital assets comprises the following:

	2020 $	2019 $
Capital assets (note 5)	861,413	825,315
Amounts financed by deferred capital grants and contributions	(533,369)	(534,405)
Amounts financed by long-term debt	(102,658)	(64,748)
	225,386	226,162

(in thousands of dollars)

8 Long-term debt

	2020 $	2019 $
Loan due November 1, 2020, interest at 7.14%, requiring current monthly principal repayments of approximately $37, secured by a first charge on parking revenue	312	752
Loan due June 30, 2021, interest at prime, requiring current monthly principal repayments of approximately $201, interest fixed at 3.42% through an interest rate swap contract, secured by a second charge on parking revenue	3,117	5,529
Loan due December 1, 2036, interest at 4.87%, requiring monthly principal payments of approximately $85, unsecured	26,876	27,890
Senior unsecured series A debentures at par value of $200,000, net of unamortized transaction costs of $1,167, due on December 20, 2058, interest at 3.702%, requiring principal repayment at maturity date	198,833	198,803
Fair value of interest swaps	45	63
	229,183	233,037
Less: Current portion	3,860	3,866
	225,323	229,171

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 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 was payable, monthly in arrears, during the first ten years of the term beginning January 1, 2007. Beginning January 1, 2017, blended payments of principal and interest commenced.

On December 20, 2018, the Hospital issued unsecured debentures through a private placement primarily to fund the development and implementation of the new hospital information system (note 5). Interest is payable semi-annually on June 20 and December 20.

Total interest paid on long-term debt in the current year was $5,804 (2019 – $3,048).

(in thousands of dollars)

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

	$
2021	3,860
2022	1,795
2023	1,173
2024	1,232
2025	1,293
Thereafter	219,830
	229,183

9 Employee future benefits

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 $50,981 (2019 – $47,335) and are included in salaries, wages and employee benefits in the statement of operations.

The most recent actuarial valuation as at December 31, 2019, indicated the plan is funded at 119%.

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. The date of the last actuarial valuation was March 31, 2020.

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

	2020 $	2019 $
Accrued benefit obligation – Beginning of year	40,094	36,996
Interest on accrued benefits	1,250	1,268
Current period benefit cost	2,693	2,494
Benefit payments	(2,234)	(2,117)
Actuarial (gains) losses	(14,145)	1,453
Accrued benefit obligation – End of year	27,658	40,094
Unamortized actuarial gains	16,613	2,534
Liability for post-retirement benefits – End of year	44,271	42,628

(in thousands of dollars)

	2020 $	2019 $
Expense recorded in the statement of operations		
Current period benefit cost	2,693	2,494
Amortization of actuarial gains – net	(66)	(169)
Interest expense	1,250	1,268
	3,877	3,593
Significant assumptions		
Discount rate – accrued benefit obligation (%)	3.2	3.0
Expected average remaining service years to retirement	16	14
Dental cost trend rates	3% per annum in 2020-2024, increasing by 0.3% thereafter until 2029;	2.75% per annum
Extended health-care trend rates	5.37% per annum in 2020-2024, decreasing by 0.12% thereafter until 2029	6.0% in 2020; decreasing by 0.25% per annum to a rate of 4.5% per annum

10 Related party transactions and balances

The Hospital has an economic interest in the THP Foundation. 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 Foundation; consequently, the financial statements do not include the assets, liabilities and activities of the THP Foundation.

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

	2020 $	2019 $
Capital grants and contributions received during the year	5,154	1,238
Operating contributions	3,955	3,143
	9,109	4,381

The Hospital provides the THP Foundation with information technology support and payroll administration services at no cost. Salaries, benefits and certain miscellaneous expenses are paid by the Hospital and are reimbursed by the THP Foundation. During the year, reimbursements made by the Foundation for these expenses were $4,617 (2019 – $4,274).

(in thousands of dollars)

Any accounts receivable with the THP Foundation are settled monthly through the collection of monies from the THP Foundation. At March 31, 2020, there was $350 outstanding (2019 – $434).

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 other charges to SSW in the amount of $5,213 (2019 – $4,893). SSW provides purchasing, contract management and logistics services for the Hospital. The Hospital also provided employee health and safety advisory services to SSW and charged $12 (2019 – $12) as well as $278 (2019 – $425) for project support services. As at March 31, 2020, the Hospital owed SSW $226 (2019 – $47) and had a receivable from SSW of $44 (2019 – $22).

11 Contingencies, commitments and guarantees

a) Due to the nature of its operations, the Hospital is periodically subject to lawsuits and/or claims in which the Hospital is a defendant, as well as grievances filed by its various unions. In October 2017, the Hospital received correspondence from Project Co requesting an increase in the guaranteed maximum price for costs allegedly incurred by Project Co and its sub-trades for the Credit Valley Hospital redevelopment project. In May 2019, Project Co filed a Statement of Claim with the Ontario Superior Court of Justice against the Hospital for certain damages, including contribution and indemnity for costs for which Project Co is liable to its sub-trades. The amount of the claim is $41,300. While the final outcome with respect to lawsuits and/or claims outstanding or pending as at March 31, 2020 cannot be predicted with certainty, management believes that there is a reasonable basis to question the propriety of the claims advanced by Project Co, and that the Hospital has valid defenses, appropriate insurance coverage and/or adequate provisions in place.

b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) and, therefore, has an economic interest in HIROC. HIROC is a not-for-profit insurance reciprocal. All members of the reciprocal pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the reciprocal for the years in which they are members, and these losses could be material. No reassessments have been made to March 31, 2020.

   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 unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

   Effective January 1, 2015, the Hospital entered into an agreement with HIROC Management Limited whereby HIROC will continue to 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 HIROC Management Limited 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 defence

(in thousands of dollars)

costs incurred by HIROC in the past. In fiscal 2020, $1,496 (2019 – $1,348) was recorded for claims defence costs and included in the financial statements as supplies and other expenses in the statement of operations.

c) The Hospital's current operating lease commitments are as follows:

	$
2021	765
2022	642
2023	618
2024	578
2025	300
2026 and thereafter	700
	3,603

d) 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

(in thousands of dollars)

- 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.

Financial assets, which include cash, restricted cash, short-term investments and investments in equity securities, are grouped into Level 1. Investments in fixed income securities and interest rate swaps are grouped into Level 2.

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.

  As at March 31, 2020, the following patient accounts receivable were past due but not impaired:

	30 days $	**60 days** $	**90 days** $	**120 days** $
Accounts receivable	9,158	3,009	515	527

  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.

(in thousands of dollars)

- 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 maturity analysis of the Hospital’s long-term debt is described in note 8. The majority of the accounts payable and accrued liabilities are expected to be settled in the next fiscal year.

- 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 Ministry of Health and other ministries

Included in the above revenue is $1,394 (2019 – $1,394) related to the funding of the Centre for Complex Diabetes Care Program.

14 Comparative figures

Certain amounts in the prior year have been restated to conform to the current year’s financial statement presentation.