Trillium Health Partners

Financial Statements
March 31, 2019

Independent auditor's report

To the Members of 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, 2019 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, 2019;
- 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.

Other information

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

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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
June 6, 2019

Trillium Health Partners

Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash	174,920	184,521
Short-term investments (note 3)	157,861	9,769
Accounts receivable		
Ministry of Health and Long-Term Care, Mississauga Halton Local Health Integration Network and other Ministries	16,335	11,925
Other	24,255	31,191
Due from Ministry of Health and Long-Term Care, Phase 3 Project (note 4)	-	83,331
Inventories	7,834	6,246
Prepaid expenses	12,458	11,671
	393,663	338,654
Capital assets (note 4)	825,315	780,236
Other receivables	-	6,118
Other long-term assets	6,361	5,062
Restricted cash and cash equivalents and long-term investments (note 3)	25,225	22,071
	1,250,564	1,152,141
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	132,752	129,485
Due to Ministry of Health and Long-Term Care, Mississauga Halton Local Health Integration Network and other Ministries	4,912	4,657
Deferred contributions	6,468	5,136
Provincial capital grant	4,236	4,236
Current portion of long-term debt (note 7)	3,866	3,719
Long-term obligation, Phase 3 Project (note 4)	-	93,810
	152,234	241,043
Long-term debt (note 7)	229,171	34,269
Employee future benefits (note 8)	42,628	41,153
Legal defense liability	4,540	3,978
Deferred capital grants and contributions (note 6)	534,405	549,911
	962,978	870,354

Approved by the Board of Directors

_______________ Director _______________ Director

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

(in thousands of dollars)

	2019 $	2018 $
Net Assets		
Investment in capital assets (note 6)	215,486	192,434
Internally restricted – major initiatives	32,037	81,174
Internally restricted – other	5,748	5,612
Unrestricted	34,303	2,714
	287,574	281,934
Accumulated remeasurement gains (losses)	12	(147)
	1,250,564	1,152,141

Contingencies, commitments and guarantees (note 10)

Trillium Health Partners

Statement of Operations

For the year ended March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Revenue		
Ministry of Health and Long-Term Care, Mississauga Halton Local Health Integration Network and other Ministries	927,206	880,711
Other agencies and patients	98,086	96,983
Other income	74,824	65,370
Amortization of deferred capital grants and contributions – equipment	6,879	6,153
Investment income	4,725	4,071
Special programs – Ministries of Health and Long-Term Care and Community and Social Services	36,134	35,046
	1,147,854	1,088,334
Expenses		
Salaries, wages and employee benefits	755,622	713,871
Medical and surgical	77,759	73,817
Drug supplies	52,190	47,966
Supplies and other expenses	176,125	172,219
Amortization – equipment	26,871	26,917
Special programs – Ministries of Health and Long-Term Care and Community and Social Services	36,097	35,008
	1,124,664	1,069,798
Excess of revenue over expenses before the undernoted	23,190	18,536
Amortization of deferred capital grants and contributions – building	20,639	17,206
Amortization – buildings and land improvements	(35,141)	(28,734)
Interest on long-term debt	(3,048)	(1,841)
	(17,550)	(13,369)
Excess of revenue over expenses for the year	5,640	5,167

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, 2019

(in thousands of dollars)

	2019 $	2018 $
Accumulated remeasurement (losses) gains – Beginning of year	(147)	988
Unrealized gains attributable to		
Long-term investments	99	50
Interest rate swaps	34	274
Amounts reclassified to statement of operations		
Change in fair value of long-term investments	26	(1,459)
Net remeasurement gains (losses) for the year	159	(1,135)
Accumulated remeasurement gains (losses) – End of year	12	(147)

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, 2019

(in thousands of dollars)

	Investment in capital assets $ (note 6)	Internally restricted – major initiatives $	Internally restricted – other $	Unrestricted $	2019 Total $	2018 Total $
Balance – Beginning of year	192,434	81,174	5,612	2,714	281,934	276,767
Excess of revenue over expenses for the year	(34,490)	-	-	40,130	5,640	5,167
Acquisition of capital assets	107,094	(42,602)	-	(64,492)	-	-
Repayment of long-term debt	3,719	-	-	(3,719)	-	-
Capital assets acquired through long-term debt	(41,259)	-	-	41,259	-	-
Deferred capital grants and contributions received	(12,012)	-	-	12,012	-	-
Other transfers	-	(6,535)	136	6,399	-	-
Balance – End of year	215,486	32,037	5,748	34,303	287,574	281,934

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

Trillium Health Partners

Statement of Cash Flows

For the year ended March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	5,640	5,167
Add (deduct) items not affecting cash		
Amortization of capital assets	62,012	55,651
Amortization of deferred capital grants and contributions (note 6)	(27,518)	(23,359)
Employee future benefits	1,475	1,501
Legal defense liability	562	1,006
Gain on disposal of capital assets	(4)	(161)
Reinvested investment income	(1,007)	(503)
Change in fair value of long-term investments	26	(1,459)
	41,186	37,843
Changes in non-cash operating items		
Accounts receivable	2,526	(1,024)
Due from Ministry of Health and Long-Term Care, Phase 3 Project (note 4)	83,331	(83,331)
Other receivables	6,118	61,640
Inventories	(1,588)	(300)
Prepaid expenses	(787)	459
Accounts payable and accrued liabilities	15,205	6,968
Deferred contributions	1,332	111
Due to Ministry of Health and Long-Term Care, Mississauga Halton Local Integration Network and other Ministries	255	(3,421)
	147,578	18,945
Investing activities		
Purchase of investments	(150,000)	-
Increase in other long-term assets	(1,299)	(1,198)
Increase in restricted cash and cash equivalents	(139)	(75)
	(151,438)	(1,273)
Capital activities		
Proceeds from disposal of capital assets	7	274
Acquisition of capital assets	(212,836)	(65,774)
	(212,829)	(65,500)
Financing activities		
Proceeds from issuance of debentures	200,000	-
Transaction costs paid on issuance of debentures	(1,205)	-
Deferred capital grants and contributions received	12,012	61,077
Repayment of long-term debt	(3,719)	(3,576)
	207,088	57,501
(Decrease) increase in cash during the year	(9,601)	9,673
Cash – Beginning of year	184,521	174,848
Cash – End of year	174,920	184,521
Non-cash transactions		
(Decrease) increase in accounts payable and accrued liabilities related to capital asset additions	(11,932)	11,120
(Decrease) increase in long-term obligations related to Phase 3 Project (note 4)	(93,810)	21,103

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 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 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 projects, research and innovation.

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/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 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/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. Transaction costs incurred in relation to the issuance of long-term debt are reported as 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.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. When a decline in value is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is removed from the statement of remeasurement gains and losses.

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.

(in thousands of dollars)

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.

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. 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.

(in thousands of dollars)

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, 2019. 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 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 Restricted cash and investments

	2019 $	2018 $
Short-term investments	157,861	9,769
Investment in Credit Valley Trillium ProResp Inc.	198	198
Restricted cash and cash equivalents	6,757	6,618
Fixed income securities	11,888	11,398
Equity securities	6,382	3,857
Restricted cash and cash equivalents and long-term investments	25,225	22,071
	183,086	31,840

The Hospital invested $150,000 of senior unsecured Series A debentures proceeds (note 7) in guaranteed investment certificates on March 6, 2019. Guaranteed investment certificates amounting to $100,000 are redeemable after 90 days at 2.46% interest rate and another guaranteed investment certificate of $50,000 is redeemable after 60 days at an interest rate of 2.43%. These guaranteed investment certificates mature on September 8, 2020.

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, 2019, the investment was $198 (2018 – $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 (2018 – $300) has been included in the statement of operations as other income.

The carrying value of equity securities amounts to $6,302 (2018 – $3,694).

(in thousands of dollars)

4 Capital assets

			2019
	Cost $	Accumulated amortization $	Net $
Land	11,622	-	11,622
Buildings and land improvements	998,860	382,008	616,852
Equipment and information systems	510,639	362,764	147,875
Construction-in-progress	46,074	-	46,074
Other	2,892	-	2,892
	1,570,087	744,772	825,315

			2018
	Cost $	Accumulated amortization $	Net $
Land	3,216	-	3,216
Buildings and land improvements	948,308	347,009	601,299
Equipment and information systems	435,637	338,247	97,390
Construction-in-progress	75,439	-	75,439
Other	2,892	-	2,892
	1,465,492	685,256	780,236

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. Construction began in 2015 and substantial completion was reached in August 2018. The total costs of construction and financing amounted to $121,414 (2018 – $117,491) and is comprised of construction costs of $97,010 (2018 – $93,810), which includes interest of $7,087 (2018 – $6,853) and ancillary and other project costs of $24,404 (2018 – $23,681). A corresponding Ministry grant of $108,371 has been received and included in deferred capital contributions (note 6). Based on the terms in the project agreement, the obligation to Project Co for substantial completion was paid in August 2018.

In January 2019, the Hospital entered into an agreement with Epic Systems Corporation to develop and implement a new Hospital Information System (HIS) 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. Total costs incurred to date are $41,259 (2018 – $nil).

(in thousands of dollars)

5 Credit facilities

The Hospital has an available line of credit of $40,000 at the Royal Bank of Canada prime rate minus 0.75%. As at March 31, 2019, $100 is utilized for letters of credit. As well, the Hospital has an available line of credit for leases of $13,000. As at March 31, 2019, the full amount was unutilized.

6 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:

	2019 $	2018 $
Balance – Beginning of year	549,911	512,193
Amortized to revenue during the year	(27,518)	(23,359)
Amount received/receivable	12,012	61,077
Balance – End of year	534,405	549,911

Included in deferred capital grants and contributions is $4,013 (2018 – $3,897) restricted by the Ministry for amounts advanced to the Hospital for redevelopment.

The investment in capital assets comprises the following:

	2019 $	2018 $
Capital assets (note 4)	825,315	780,236
Amounts financed by deferred capital grants and contributions	(534,405)	(549,911)
Amounts financed by long-term debt	(75,424)	(37,891)
	215,486	192,434

(in thousands of dollars)

7 Long-term debt

	2019 $	2018 $
Loan due November 1, 2020, interest at 7.14%, requiring current monthly principal repayments of approximately $34, secured by a first charge on parking revenue	752	1,162
Loan due June 30, 2021, interest at prime, requiring current monthly principal repayments of approximately $195, interest fixed at 3.42% through an interest rate swap contract, secured by a second charge on parking revenue	5,529	7,872
Loan due December 1, 2036, interest at 4.87%, requiring monthly principal payments of approximately $81 starting January 1, 2017, unsecured	27,890	28,857
Senior unsecured series A debentures at par value of $200,000, net of unamortized transaction costs of $1,197, due on December 20, 2058, interest at 3.702%, requiring principal repayment at maturity date	198,803	-
Fair value of interest swaps	63	97
	233,037	37,988
Less: Current portion	3,866	3,719
	229,171	34,269

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 HIS (note 4). Interest is payable semi-annually on June 20 and December 20. The first interest payment will be made on June 20, 2019 in the amount of $3,702.

Total interest paid on long-term debt in the current year was $3,048 (2018 – $1,841).

(in thousands of dollars)

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

	$
2020	3,866
2021	3,860
2022	1,751
2023	1,173
2024	1,232
Thereafter	221,092
	232,974

8 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 $47,335 (2018 – $44,008) 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. The date of the last actuarial valuation was March 31, 2017.

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

	2019 $	2018 $
Accrued benefit obligation – Beginning of year	36,996	35,326
Current period benefit cost	2,494	2,414
Interest on accrued benefits	1,268	1,213
Benefit payments	(2,117)	(1,957)
Actuarial losses	1,453	-
Accrued benefit obligation – End of year	40,094	36,996
Unamortized actuarial gains	2,534	4,157
Accrued benefit liability – End of year	42,628	41,153

(in thousands of dollars)

Expense recorded in the statement of operations		
Current period benefit cost	2,494	2,414
Amortization of actuarial gains – net	(169)	(169)
Interest expense	1,268	1,213
	3,593	3,458
Significant assumptions		
Discount rate – accrued benefit obligation (%)	3.0	3.30
Dental cost trend rate (%)	2.75	2.75
Extended health-care trend rates	see (a) below	see (a) below
Expected average remaining service life to retirement (years)	14	14

Extended health-care trend rates are as follows:

a) 6.0% in fiscal 2020; decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum.

9 Related party transactions and balances

The Hospital is related to 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:

	2019 $	2018 $
Capital grants and contributions received during the year	1,238	21,027
Operating contributions	3,143	3,594
	4,381	24,621

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 $4,274 (2018 – $4,142).

Any accounts receivable with the THP Foundation are settled monthly through the collection of monies from the THP Foundation. At March 31, 2019, there was $434 outstanding (2018 – $432).

(in thousands of dollars)

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 $4,893 (2018 – $4,795). SSW provides purchasing, contract management and logistics services for the Hospital. During the year, SSW returned excess funds to the Hospital in the amount of $1,063 (2018 – $nil). The Hospital also provided employee health and safety advisory services to SSW and charged $12 (2018 – $12) as well as $425 (2018 – $432) for project support services. As at March 31, 2019, THP owed SSW $47 (2018 – $44) and had a receivable from SSW of $22 (2018 – $134).

10 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 subtrades for the Credit Valley Hospital redevelopment project (note 4). In May 2019, Project Co filed a Statement of Claim in 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 subtrades. 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, 2019 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 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, 2019.

   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 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 defence costs incurred by HIROC in the past. In fiscal 2019, an additional $1,348 (2018 – $1,421) was recorded for claims defence costs and included in the financial statements as supplies and other expenses in the statement of operations.

(in thousands of dollars)

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

	$
2020	976
2021	765
2022	642
2023	618
2024	300
2025 and thereafter	1,195
	4,496

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.

11 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).

(in thousands of dollars)

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, 2019, the following patient accounts receivable were past due but not impaired:

	30 days $	**60 days** $	**90 days** $	**120 days** $
Accounts receivable	8,835	2,580	733	392

  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.

(in thousands of dollars)

The maturity analysis of the Hospital's long-term debt is described in note 7. 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 7).

12 Ministry of Health and Long-Term Care, Mississauga Halton Local Health Integration Network and other Ministries

Included in the above revenue is $1,394 (2018 – $1,394) related to the funding of the Centre for Complex Diabetes Care Program.

13 Comparative figures

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