

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT
Financial Statements
Year Ended March 31, 2017

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Index to Financial Statements

Year Ended March 31, 2017

| | Page |
|---|--------|
| BOARD OF DIRECTORS | 1 |
| MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING | 2 |
| INDEPENDENT AUDITOR'S REPORT | 3 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 4 |
| Statement of Operations | 5 |
| Statement of Changes in Deficiency in Net Assets | 6 |
| Statement of Cash Flow | 7 |
| Notes to Financial Statements | 8 - 15 |
| Schedule of Other Revenue (<i>Schedule 1</i>) | 16 |
| Schedule of Other Funds (<i>Schedule 2</i>) | 17 |

TIMMINS AND DISTRICT HOSPITAL
L'HÔPITAL DE TIMMINS ET DU DISTRICT

(incorporated under the laws of the Province of Ontario as a corporation without Share Capital)

BOARD OF DIRECTORS - 2016 - 2017

| | |
|--|--|
| Ms. Maggie Matear, Chair | Mr. Ivor Jones |
| Mr. Gaétan Malette, Vice Chair | Ms. Sylvie Petroski |
| Mr. David Thomas, Vice Chair | Mr. Alex Szczebonski |
| Mr. Iain Martin, Treasurer | Ms. Marilyn Wood |
| Mr. Léon Laforest, Past Chair | Mr. Steve Black, City of Timmins Appointment (from October 2016) |
| Mr. Blaise MacNeil, Secretary, President and Chief Executive Officer | Ms. Rachel Cull, Aboriginal Appointment |
| Dr. Harry Voogjarv, Vice President, Medicine and Chief of Staff | Mr. Rick Dubeau, City of Timmins Appointment (to September 2016) |
| Dr. Doug Arnold, President, Medical Staff | Ms. Nancy Pandolfi, Hospital Auxiliary President (to February 2017) |
| Dr. Jaclyn Bernardi, Vice President, Medical Staff | Ms. Ann Rudd-Robins, Hospital Auxiliary President (from March 2017) |
| Ms. Joan Ludwig, Vice President, Clinical and Chief Nursing Executive | Ms. Sue Perras, NEOMA Appointment |
| Ms. Sarah Campbell | Mr. Robert Perrault, Foundation Appointment |
| Ms. Pauline Belanger, Executive Assistant | |

AUDITORS

MNP LLP
Timmins, Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Timmins and District Hospital/L'Hôpital de Timmins et du district have been prepared in accordance with Canadian Public Sector Accounting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Timmins and District Hospital/L'Hôpital de Timmins et du district 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee (the "Committee"). The Committee is appointed by the Board and meets with management and the Hospital's auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Committee reports to the Board of Directors prior to its approval of the financial statements.

The financial statements have been audited by MNP LLP, the external auditors, in accordance with Canadian public sector accounting standards.



Mr. Blaise MacNeil
President and Chief Executive Officer



Mr. Bryan Bennetts
Chief Financial Officer

Timmins, Ontario
June 5, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Timmins and District Hospital/L'Hôpital de Timmins et du district

We have audited the accompanying financial statements of Timmins and District Hospital/L'Hôpital de Timmins et du district, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in deficiency in net assets and cash flow for the year then ended, and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Timmins and District Hospital/L'Hôpital de Timmins et du district as at March 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

MNP LLP

Timmins, Ontario
June 5, 2017

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT


Statement of Financial Position

As at March 31, 2017

| | 2017 | 2016 |
|---|----------------------|---------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 776,703 | \$ 2,665,306 |
| Accounts receivable (Note 3) | 2,219,268 | 3,787,488 |
| Inventories | 604,925 | 572,727 |
| Prepaid expenses | 756,254 | 540,172 |
| Current portion of long term receivable (Note 5) | 171,716 | 262,240 |
| | 4,528,866 | 7,827,933 |
| CAPITAL ASSETS (Note 4) | 58,344,628 | 59,839,425 |
| LONG TERM RECEIVABLES (Note 5) | 144,382 | 311,870 |
| | \$ 63,017,876 | \$ 67,979,228 |
| LIABILITIES AND DEFICIENCY IN NET ASSETS | | |
| CURRENT | | |
| Bank indebtedness (Note 6) | \$ 1,790,000 | \$ - |
| Accounts payable and accrued liabilities (Note 7) | 9,363,476 | 10,399,960 |
| Current portion of long term debt (Note 8) | 1,707,000 | 4,426,982 |
| | 12,860,476 | 14,826,942 |
| LONG TERM DEBT (Note 8) | 13,137,000 | 14,914,653 |
| EMPLOYEE FUTURE BENEFIT LIABILITIES (Note 9) | 4,303,193 | 4,120,041 |
| DEFERRED CAPITAL ASSET CONTRIBUTIONS (Note 11) | 47,102,628 | 47,613,012 |
| | 77,403,297 | 81,474,648 |
| COMMITMENTS AND CONTINGENCIES (Note 15) | | |
| DEFICIENCY IN NET ASSETS | (14,385,421) | (13,495,420) |
| | \$ 63,017,876 | \$ 67,979,228 |

Approved on behalf of the Board

 Director

 Director

See accompanying notes.

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Statement of Operations

Year Ended March 31, 2017

| | 2017 | 2016 |
|---|---------------------|-------------------|
| REVENUES | | |
| Ministry of Health and Long-Term Care/North East Local Health Integration Network (MOHLTC/NELHIN) | \$ 67,498,918 | \$ 67,575,424 |
| Schedule of Other Revenue (<i>Schedule 1</i>) | 21,081,498 | 20,956,131 |
| Cancer Care Ontario | 4,738,276 | 4,434,415 |
| Amortization of deferred contributions - equipment | 1,810,413 | 1,458,686 |
| Ministry of Health - Paymaster / Flow Through | 362,598 | 300,034 |
| | 95,491,703 | 94,724,690 |
| EXPENSES | | |
| Salaries and wages | 44,950,239 | 44,754,841 |
| Supplies and other expenses | 13,836,553 | 13,200,364 |
| Employee benefits | 13,660,517 | 13,632,593 |
| Medical staff remuneration | 12,663,164 | 12,358,149 |
| Medical and surgical supplies | 4,793,269 | 4,539,449 |
| Drugs | 3,057,974 | 2,995,518 |
| Amortization of equipment and other | 2,469,701 | 2,101,823 |
| Interest on operating line | 48,857 | 96,292 |
| | 95,480,274 | 93,679,029 |
| EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS | 11,429 | 1,045,661 |
| AMORTIZATION OF DEFERRED CONTRIBUTIONS AND BUILDINGS | | |
| Amortization of deferred contributions - buildings | 2,230,435 | 2,216,585 |
| Amortization of buildings (<i>Note 4</i>) | (2,697,854) | (2,681,309) |
| | (467,419) | (464,724) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER FUNDS | (455,990) | 580,937 |
| OTHER FUNDS (<i>Schedule 2</i>) | | |
| Other fund revenues | 3,075,837 | 3,163,295 |
| Other fund expenses | (3,075,837) | (3,163,295) |
| | - | - |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE INTEREST ON LONG TERM DEBT | (455,990) | 580,937 |
| INTEREST ON LONG TERM DEBT | 434,011 | 291,668 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ (890,001) | \$ 289,269 |

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Statement of Changes in Deficiency in Net Assets

Year Ended March 31, 2017

| | 2017 | 2016 |
|---|------------------------|-----------------|
| DEFICIENCY IN NET ASSETS - BEGINNING OF YEAR | \$ (13,495,420) | \$ (13,784,689) |
| Excess (deficiency) of revenues over expenses | (890,001) | 289,269 |
| DEFICIENCY IN NET ASSETS - END OF YEAR | \$ (14,385,421) | \$ (13,495,420) |

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Statement of Cash Flow

Year Ended March 31, 2017

| | 2017 | 2016 |
|--|--------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ (890,001) | \$ 289,269 |
| Items not affecting cash: | | |
| Amortization of capital assets | 5,167,555 | 4,783,132 |
| Amortization of deferred capital contributions | (4,040,848) | (3,675,271) |
| Increase in employee future benefit liability | 183,152 | 256,436 |
| | 419,858 | 1,653,566 |
| CHANGES IN NON-CASH WORKING CAPITAL: | | |
| Accounts receivable | 1,568,221 | 182,234 |
| Inventories | (32,198) | 10,608 |
| Prepaid expenses | (216,082) | (139,760) |
| Accounts payable and accrued liabilities | (1,036,484) | (454,767) |
| | 283,457 | (401,685) |
| Cash flow from operating activities | 703,315 | 1,251,881 |
| CAPITAL ACTIVITIES | | |
| Purchase of capital assets | (3,672,758) | (6,071,098) |
| FINANCING ACTIVITIES | | |
| Bank indebtedness (repayment) | 1,790,000 | (1,870,000) |
| Deferred capital contributions received | 3,530,463 | 1,669,383 |
| Proceeds from long term debt | - | 19,341,635 |
| Repayment of long term debt | (4,497,635) | (11,882,053) |
| Cash flow from financing activities | 822,828 | 7,258,965 |
| INVESTING ACTIVITIES | | |
| Decrease in long term receivables | 258,012 | 225,418 |
| INCREASE (DECREASE) IN CASH FLOW | (1,888,603) | 2,665,166 |
| Cash - beginning of year | 2,665,306 | 140 |
| CASH - END OF YEAR | \$ 776,703 | \$ 2,665,306 |

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

1. HOSPITAL ORGANIZATION

The Timmins and District Hospital/L'Hôpital de Timmins et du district ("the Hospital") is incorporated without share capital by Letters Patent issued by the Province of Ontario and is regulated by the Public Hospitals Act. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Hospital have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 series of standards for government not for profit organizations.

(a) REVENUE RECOGNITION

The Hospital follows the deferral method of accounting for contributions which include donations and government transfers or grants.

The Hospital funding is based on the Hospital Service Accountability Agreement (H-SAA) between the Hospital and the North East Local Health Integration Network (NELHIN) which is an agency of the Ministry of Health and Long-Term Care. Operating transfers or grants are recorded as revenue in the period to which they relate. Transfers or grants approved but not received at the end of an accounting period are accrued. Where a portion of a transfer or grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2017.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Pledges to donate funds to the Hospital are not included in revenues until such time as funds are received.

Revenue for medical and other services are recognized when the services are provided.

(b) INVENTORIES

Inventories are stated at the lower of average cost and net realizable value. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

(c) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When capital assets no longer contribute to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

(continues)

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortization is provided on the straight-line basis over their useful lives, which have been estimated as follows:

| | |
|----------------------------|---------------|
| Land improvements | 10 - 20 years |
| Buildings | 10 - 40 years |
| Equipment | 3 - 20 years |
| Building service equipment | 5 - 20 years |

Long lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

(d) VACATION PAY

The Hospital recognizes vacation pay as an expense on the accrual basis.

(e) EMPLOYEE FUTURE BENEFIT LIABILITIES

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) DONATED SERVICES

The work of the Hospital Board is dependent on the voluntary services of many individuals including the members of the Board. Since these services are not normally purchased by the Hospital and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

(g) FINANCIAL INSTRUMENTS

Financial instruments are recorded at fair value on initial recognition. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry financial instruments at fair value. All financial instruments are carried at cost or amortized cost. All financial assets are assessed for impairment on an annual basis.

(continues)

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Principal estimates include the determination of the liability for employee future benefits, the estimated useful life of capital assets, valuation of receivables, inventory and accrued liabilities.

3. ACCOUNTS RECEIVABLE

| | 2017 | 2016 |
|---------------------------------|---------------------|--------------|
| Client and patient receivables | \$ 1,665,512 | \$ 1,948,549 |
| Other receivables | 469,288 | 701,672 |
| MOHLTC/NELHIN | 139,468 | 1,192,267 |
| | 2,274,268 | 3,842,488 |
| Allowance for doubtful accounts | (55,000) | (55,000) |
| | \$ 2,219,268 | \$ 3,787,488 |

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2017 Net book value |
|----------------------------|----------------------|-----------------------------|---------------------------|
| Land | \$ 490,002 | \$ - | \$ 490,002 |
| Land improvements | 363,047 | 211,197 | 151,850 |
| Buildings | 86,106,900 | 45,666,260 | 40,440,640 |
| Equipment | 57,785,146 | 46,788,453 | 10,996,693 |
| Building service equipment | 10,757,652 | 4,492,209 | 6,265,443 |
| | \$155,502,747 | \$ 97,158,119 | \$ 58,344,628 |

Amortization expense for 2017 is \$5,167,555.

| | Cost | Accumulated amortization | 2016 Net book value |
|----------------------------|----------------------|-----------------------------|---------------------------|
| Land | \$ 490,002 | \$ - | \$ 490,002 |
| Land improvements | 363,047 | 199,441 | 163,606 |
| Buildings | 86,106,900 | 43,469,481 | 42,637,419 |
| Equipment | 54,144,927 | 44,318,770 | 9,826,157 |
| Building service equipment | 10,725,113 | 4,002,872 | 6,722,241 |
| | \$151,829,989 | \$ 91,990,564 | \$ 59,839,425 |

Amortization expense for 2016 is \$4,783,132.

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

5. LONG TERM RECEIVABLES

| | 2017 | 2016 |
|--|-------------------|------------|
| Recruitment loans | | |
| Relocation loans | \$ 15,504 | \$ 31,250 |
| Recruitment incentives | 85,266 | 173,590 |
| Residency loans | 215,328 | 369,270 |
| | 316,098 | 574,110 |
| Current portion of long term receivables | (171,716) | (262,240) |
| | \$ 144,382 | \$ 311,870 |

Recruitment loans for physicians are non-interest bearing and are amortized over 4 years. They are forgivable provided that certain contractual conditions are met by the recipient physician.

6. BANK INDEBTEDNESS

The Hospital has a credit facility to be used for general operating purposes. The allowable limit is \$5,500,000 (2016 - \$5,500,000). The credit facility bears interest at a rate equal to the lender's prime rate less 0.65% and is secured by a general security agreement. As at March 31, 2017, \$1,790,000 (\$nil - 2016) has been drawn on this facility.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2017 | 2016 |
|---|---------------------|---------------|
| MOHLTC/NELHIN | \$ 295,736 | \$ 369,043 |
| Other payables | 3,199,898 | 3,077,104 |
| Payroll remittances | 924,487 | 515,342 |
| Accrued vacation pay and other entitlements | 3,744,893 | 3,737,486 |
| Accrued salaries and wages | 665,211 | 2,314,584 |
| Other accruals | 334,677 | 300,524 |
| Deferred revenues | 198,574 | 85,877 |
| | \$ 9,363,476 | \$ 10,399,960 |

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

| 8. LONG TERM DEBT | 2017 | 2016 |
|--|----------------------|---------------|
| RBC Loan 1 bearing interest as noted below, repayable in variable quarterly payments of principal plus interest. The loan matures in March 2026. | \$ 11,398,000 | \$ 12,600,000 |
| RBC Loan 2 bearing interest as noted below, repayable in variable quarterly payments of principal plus interest. The loan matures in March 2023. | 3,446,000 | 4,000,000 |
| Dell Finance loan paid in full during the year. | - | 2,741,635 |
| | 14,844,000 | 19,341,635 |
| Amounts payable within one year | (1,707,000) | (4,426,982) |
| | \$ 13,137,000 | \$ 14,914,653 |

Principal repayment terms are approximately:

| | |
|------------|-----------------------------|
| 2018 | \$ 1,707,000 |
| 2019 | 1,743,000 |
| 2020 | 1,780,000 |
| 2021 | 1,818,000 |
| 2022 | 1,857,000 |
| Thereafter | 5,939,000 |
| | <u>\$ 14,844,000</u> |

The loans from RBC are swap rate takeout loan agreements on long term capital (Loan 1) and IT upgrades (Loan 2). The original loans were converted to these agreements in September 2016. The swap agreement exchanges the Hospital's Banker's Acceptance variable loan payments for an established fixed rate payment. The exchange of interest payments result in an effective interest rate of 1.53% plus a 0.75% stamping fee for an all-in interest rate of 2.28% for the 9.5 year term for Loan 1 and an effective interest rate of 1.41% plus a 0.60% stamping fee for an all-in interest rate of 2.01% for the 6.5 year term for Loan 2. The approximate cost of breaking the swap rate loan agreement prior to maturation, given the market interest rates as at March 31, 2017 is estimated to be \$27,602.

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

9. EMPLOYEE FUTURE BENEFIT LIABILITIES

The Hospital provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits was prepared as at March 31, 2017.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

| | |
|---|---------------------------------|
| Discount rate for calculation of March 31, 2017 disclosures | 3.56% (3.76% previous period) |
| Dental benefits - trend rates | 4.00% (same as previous period) |
| Health benefits - trend rates | 4.50% (same as previous period) |

Information with respect to the Hospital's post-retirement and post-employment benefit liabilities are as follows:

| | 2017 | 2016 |
|--|--------------|--------------|
| Accrued benefit liabilities, beginning of year | \$ 4,120,041 | \$ 3,863,605 |
| Expense for year | 337,565 | 383,670 |
| Benefits for the period | (154,413) | (127,234) |
| Accrued benefit liabilities, end of year | \$ 4,303,193 | \$ 4,120,041 |

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit liability.

Accrued benefit liabilities at March 31, 2017 include the following components:

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| Accrued benefit obligation | \$ 4,400,523 | \$ 4,069,476 |
| Unamortized experience gains (losses) | (97,330) | 50,565 |
| | \$ 4,303,193 | \$ 4,120,041 |

10. PENSION PLAN

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit plan. Employer contributions made to the plan during the year by the Hospital amounted to \$3,723,923 (2016 - \$3,595,789). These amounts are included in employee benefits in the statement of operations.

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

11. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of contributions is recorded as revenue in the statement of operations. The changes in the deferred capital asset contributions balances are as follows:

| | | |
|--------------------------------------|----------------------|---------------|
| Balance, beginning of year | \$ 47,613,012 | \$ 49,618,900 |
| Add amounts received during the year | 3,530,464 | 1,669,383 |
| Less amounts amortized to revenue | (4,040,848) | (3,675,271) |
| <hr/> | | |
| Balance, end of year | \$ 47,102,628 | \$ 47,613,012 |

12. RELATED ENTITIES

The financial statements do not include the assets, liabilities and activities of any organizations such as the Timmins and District Hospital Foundation or the Timmins and District Hospital Auxiliary which, although related to the Hospital, are not operated by it.

The Hospital has an economic interest in the Timmins and District Hospital Foundation, whose mandate is to raise funds for the Hospital. The transactions during the year not separately disclosed in the statements include the following:

An amount of \$3,530,463 (2016 - \$1,669,383) has been received from the Foundation and recorded as deferred contributions related to capital assets.

13. ECONOMIC DEPENDENCE

The Hospital's ability to continue operations is economically dependent on the continued support from the Ministry of Health and Long-Term Care as the primary funding source. For the year ended March 31, 2017, provincial funding was equivalent to 96% of the total operating revenue.

14. FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Hospital is exposed to credit risk with respect to accounts receivable. A large portion of the Hospital's receivables are due from other levels of government on which there is no significant exposure. The balance of the receivables are from clients and patients. The Hospital measures its exposure to credit risk based on factors surrounding the risk related to specific accounts, historical trends and other information. An allowance for doubtful accounts is set up based on the Hospital's historical experience regarding collections. The balance of the allowance of doubtful accounts at March 31, 2017 is \$55,000 (2016 - \$55,000).

(continues)

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Notes to Financial Statements

Year Ended March 31, 2017

14. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures and methods used to measure the credit risk.

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations on a timely basis. The Hospital manages this risk by monitoring cash activities and expected outflows through extensive budgeting.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to measure the liquidity risk.

Interest rate risk

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

The Hospital is exposed to this risk through the line of credit and long term debt.

At March 31, 2017, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the line of credit and long term debt of \$166,000.

There have been no significant changes from the previous year in the exposure to interest rate risk or policies, procedures and methods used to measure the interest rate risk.

15. COMMITMENTS AND CONTINGENCIES

a) Healthcare Insurance Reciprocal of Canada:

A group of healthcare institutions, including the Hospital, are members of the Health Care Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2017, no assessments have been received.

b) Legal matters and Litigation:

Due to the nature of the Hospital's operations, the Hospital is periodically subject to litigation. In the opinion of management, the resolution of any current litigation would not have a material effect on the financial position or results of operations, as the Hospital has valid defences and appropriate insurance coverages in place.

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT

Schedule of Other Revenue

(Schedule 1)

Year Ended March 31, 2017

| | 2017 | 2016 |
|--|----------------------|----------------------|
| PATIENT REVENUE | | |
| In patient | \$ 520,604 | \$ 618,731 |
| Out patients - OHIP | 7,198,949 | 7,450,765 |
| Out patients - other | 941,945 | 791,499 |
| Preferred accommodation | 1,252,480 | 1,281,120 |
| | 9,913,978 | 10,142,115 |
| RECOVERIES | | |
| Recoveries - other services | 2,645,415 | 2,951,277 |
| Recoveries - all other | 2,811,250 | 2,754,208 |
| | 5,456,665 | 5,705,485 |
| OTHER REVENUE | | |
| Ambulance | 77,829 | 73,898 |
| Cafeteria and coffee shop | 831,166 | 834,689 |
| Investment income | 3,212 | 1,932 |
| Ministry of Health - Emergency Physician Funding | 3,427,742 | 3,119,947 |
| Other revenue | 1,214,179 | 961,060 |
| Undistributed income | 156,727 | 117,005 |
| | 5,710,855 | 5,108,531 |
| GRAND TOTAL | \$ 21,081,498 | \$ 20,956,131 |

TIMMINS AND DISTRICT HOSPITAL/L'HÔPITAL DE TIMMINS ET DU DISTRICT**Schedule of Other Funds****(Schedule 2)****Year Ended March 31, 2017**

The Hospital administers a number of programs which are separately funded. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Hospital and any excess or deficiency of revenue over expenses is settled with the funding agencies on an annual basis.

| | 2017 | 2016 |
|--|------------------|-------------|
| Revenue | | |
| Adult Community Mental Health | \$ 935,750 | \$ 936,055 |
| Ambulance offload | 55,878 | 61,795 |
| Mental Health Out-Patient Sessional fees | 295,380 | 232,773 |
| Municipal taxation | 12,300 | 12,300 |
| Timmins Health Links | 10,158 | - |
| Partnerships and projects | 1,766,371 | 1,920,372 |
| | 3,075,837 | 3,163,295 |
| Expenses | | |
| Adult Community Mental Health | 935,750 | 936,055 |
| Ambulance offload | 55,878 | 61,795 |
| Mental Health Out-Patient Sessional fees | 295,380 | 232,773 |
| Municipal taxation | 12,300 | 12,300 |
| Timmins Health Links | 10,158 | - |
| Partnerships and projects | 1,766,371 | 1,920,372 |
| | 3,075,837 | 3,163,295 |
| EXCESS OF REVENUE OVER EXPENSES | \$ - | \$ - |