Timmins & District Hospital/L'Hôpital de Timmins et du district

Financial Statements

March 31, 2019

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For the year ended March 31, 2019

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Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Hospital. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Hospital's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Blaise MacNeil

Mr. Blaise MacNeil
President and Chief Executive Officer

B. Bennetts

Mr. Bryan Bennetts
Chief Financial Officer

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Timmins & District Hospital/L'Hôpital de Timmins et du district (the "Hospital"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Hospital incurred a net loss of $3,363,647 (2018 - $2,860,475) during the year ended March 31, 2019 and, as of that date, the Hospital's current liabilities exceeded its current assets by $15,280,978 (2018 - $11,485,946). As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Hospital's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

MNP LLP

Timmins, Ontario — Chartered Professional Accountants

June 18, 2019 — Licensed Public Accountants

Timmins & District Hospital/L'Hôpital de Timmins et du district
Statement of Financial Position
As at March 31, 2019

	2019	2018
Assets		
Current		
Cash	**743,726**	813,537
Accounts receivable *(Note 4)*	**3,753,800**	4,087,881
Inventory *(Note 5)*	**651,981**	620,692
Prepaid expenses	**664,645**	779,499
Current portion of long term receivables *(Note 6)*	**34,866**	114,516
	5,849,018	6,416,125
Capital assets *(Note 7)*	**54,394,841**	58,179,391
Long term receivables *(Note 6)*	**-**	34,066
	60,243,859	64,629,582
Liabilities		
Current		
Bank indebtedness *(Note 8)*	**5,275,000**	5,050,000
Accounts payable and accruals *(Note 9)*	**13,929,696**	10,951,552
Deferred contributions	**145,301**	157,520
Current portion of long-term debt *(Note 10)*	**1,780,000**	1,743,000
	21,129,997	17,902,072
Long-term debt *(Note 10)*	**9,495,336**	11,074,601
Employee future benefit liabilities *(Note 12)*	**4,733,719**	4,514,103
Deferred contributions related to capital assets *(Note 13)*	**45,375,688**	48,065,305
	80,734,740	81,556,081
Contingencies *(Note 14)*		
Net Assets		
Deficiency in net assets	**(20,609,545)**	(17,245,898)
Remeasurement gain	**118,664**	319,399
	(20,490,881)	(16,926,499)
	60,243,859	64,629,582

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Timmins & District Hospital/L'Hôpital de Timmins et du district
Statement of Operations
For the year ended March 31, 2019

	2019	2018
Revenue		
MOHLTC/NELHIN	**73,493,477**	70,343,457
Cancer Care Ontario	**5,085,576**	4,758,250
Amortization of deferred contributions - equipment *(Note 13)*	**2,165,693**	1,987,921
Ministry of Health - Paymaster/Flow Through	**316,958**	265,258
Other revenue *(Note 16)*	**21,283,090**	20,900,082
	102,344,794	98,254,968
Expenses		
Salaries and wages	**48,635,909**	47,022,761
Supplies and other expenses	**14,802,379**	14,227,129
Employee benefits	**14,542,335**	14,347,683
Medical staff remuneration	**13,794,295**	13,319,546
Medical and surgical supplies	**5,671,172**	5,077,966
Drugs	**3,784,868**	3,082,320
Amortization of equipment and other	**3,552,902**	3,196,929
Interest on operating line	**239,590**	91,201
	105,023,450	100,365,535
Deficiency of revenue over expenses from operations	**(2,678,656)**	(2,110,567)
Amortization of deferred contributions and buildings		
Amortization of deferred contributions - buildings *(Note 13)*	**(2,379,386)**	(2,266,280)
Amortization of buildings	**2,794,345**	2,686,098
	414,959	419,818
Deficiency of revenue over expenses before other funds	**(3,093,615)**	(2,530,385)
Other funds *(Note 17)*		
Other fund revenues	**(3,219,213)**	(3,149,000)
Other fund expenses	**3,219,213**	3,149,000
	-	-
Deficiency of revenue over expenses before interest on long term debt	**(3,093,615)**	(2,530,385)
Interest on long term debt	**270,032**	330,090
Deficiency of revenue over expenses	**(3,363,647)**	(2,860,475)

The accompanying notes are an integral part of these financial statements

Timmins & District Hospital/L'Hôpital de Timmins et du district
Statement of Changes in Net Assets
For the year ended March 31, 2019

	2019	*2018*
Deficiency in net assets, beginning of year	**(17,245,898)**	(14,385,423)
Deficiency of revenue over expenses	**(3,363,647)**	(2,860,475)
Deficiency in net assets, end of year	**(20,609,545)**	(17,245,898)

The accompanying notes are an integral part of these financial statements

Timmins & District Hospital/L'Hôpital de Timmins et du district
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2019

	2019	*2018*
Accumulated remeasurement gains, beginning of year	**319,399**	-
Unrealized remeasurement gains (losses)		
Derivatives	**(200,735)**	319,399
Accumulated remeasurement gains, end of year	**118,664**	319,399

The accompanying notes are an integral part of these financial statements

Timmins & District Hospital/L'Hôpital de Timmins et du district

Statement of Cash Flows

For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(3,363,647)**	(2,860,475)
Amortization	**6,347,247**	5,883,026
Amortization of deferred capital contributions	**(4,545,079)**	(4,254,201)
Increase in employee future benefit liability	**219,617**	210,910
	(1,341,862)	(1,020,740)
Changes in working capital accounts		
Accounts receivable	**334,081**	(1,868,613)
Inventory	**(31,289)**	(15,767)
Prepaid expenses	**114,854**	(23,245)
Accounts payable and accruals	**2,978,143**	1,786,649
Deferred contributions	**(12,219)**	(41,054)
	2,041,708	(1,182,770)
Financing		
Repayment of long-term debt	**(1,743,000)**	(1,707,000)
Cash contributions received for capital assets	**1,855,462**	5,216,878
Net advances of bank indebtedness	**225,000**	3,260,000
	337,462	6,769,878
Capital activities		
Purchases of capital assets	**(2,562,697)**	(5,717,790)
Investing		
Forgiveness/repayment of long term receivables	**113,716**	167,516
Increase (decrease) in cash resources	**(69,811)**	36,834
Cash resources, beginning of year	**813,537**	776,703
Cash resources, end of year	**743,726**	813,537

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The Timmins & District Hospital/L'Hôpital de Timmins et du district (the "Hospital") is principally involved in providing health care services to the City of Timmins and surrounding region of Northern Ontario.

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 for income taxes, provided certain requirements of the Income Tax Act are met.

2. Continuing operations

These financial statements have been prepared on a going concern basis which presumes that the Hospital will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

The Hospital has incurred a net loss of $3,363,647 during the year ended March 31, 2019 and, as of that date, the Hospital's current liabilities exceeded its current assets by $15,280,978. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Hospital's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

With financial sustainability concerns on the rise, the Hospital underwent an operational review in 2014/15 to identify opportunities for cost efficiencies and revenue enhancements. Despite the implementation of recommendations from this review, the Hospital began incurring annual operational deficits in 2017/18. The Hospital, with the North East LHIN's assistance, developed improvement plans in 2018/19 that partially addresses the growing gap between revenues and expenses. The Hospital will continue to explore opportunities for cost reduction while ensuring patient services are not negatively impacted to help them improve their ability to operate as a going concern. It cannot be determined at this time whether this direction alone will result in satisfactory resolution of the Hospital's financial situation. However, to help manage its liquidity, management has reduced capital and discretionary spending where possible and continues to monitor additional financing opportunities to fund future projects.

Management believes that the going concern assumption is appropriate for these financial statements based on the above reasons. If the Hospital were unable to continue its operations, adjustments to the carrying amounts and classification of assets and liabilities would be necessary.

3. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards, using the standards applicable to government not-for-profit organizations, including the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Inventory

Inventory is valued at the lower of cost and net realizable value, less a provision for any obsolete or unusable inventory on hand. Cost is determined by the first in, first out method. Inventory consists of medical and general supplies that are used in the Hospital's operation and not for resale purposes.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Hospital determines that a long-lived asset no longer has any long-term service potential to the Hospital, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

3. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Capital assets acquired during the year but not placed into use are not amortized until they are place into use.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

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

Deferred revenue

Deferred revenue is received from contributors who have restricted use of the funds for specific purposes. Recognition of these amounts as revenue is deferred to periods when the specific expenditures are made.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Hospital’s capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Employee future benefits

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. The attribution period for such cost begins the date of hire of the employee to the date of first payment. The discount rate used to determine accrued benefit obligations is reflective of the Hospital's long-term cost of borrowing.

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 on a straight line basis over the average remaining service period of active employees.

Adjustments arising from plan amendments, including past service costs, 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.

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.

3. Significant accounting policies *(Continued from previous page)*

Revenue recognition *(continued from previous page)*

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.

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Hospital’s capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

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.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Hospital's operations and would otherwise have been purchased. 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.

Measurement uncertainty (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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization and deferred capital contributions are based on the estimated useful lives of capital assets. Accrued liabilities are estimated based on expected charges for unbilled goods and services at year-end. Deferred contributions related to capital assets and capital asset amortization are based on the estimated useful lives of capital assets. Employee future benefits are based on actuarial valuations.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Financial instruments

The Hospital recognizes its financial instruments when the Hospital becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Hospital may irrevocably elect to subsequently measure any financial instrument at fair value. The Hospital has made such an election during the year.

The Hospital subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses, while interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

3. Significant accounting policies *(Continued from previous page)*

Financial instruments *(continued from previous page)*

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments, etc. in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

4. Accounts receivable

	2019	*2018*
Client and patient receivables	**2,202,591**	1,892,608
Other receivables	**1,387,207**	1,811,354
MOHLTC/NELHIN	**219,002**	438,919
	3,808,800	4,142,881
Allowance for doubtful accounts	**(55,000)**	(55,000)
	3,753,800	4,087,881

5. Inventory

	2019	*2018*
Drugs	**323,512**	311,178
Medical and surgical	**320,045**	297,048
Other	**8,424**	12,466
	651,981	620,692

6. Long term receivable

	2019	*2018*
Recruitment loans		
Relocation loans	**623**	6,457
Recruitment incentives	**9,816**	35,077
Residency loans	**24,427**	107,048
	34,866	148,582
Current portion of long term receivable	**(34,866)**	(114,516)
	-	34,066

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.

7. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	**490,002**	**-**	**490,002**	490,002
Land improvements	**363,047**	**234,710**	**128,337**	140,093
Buildings	**88,240,568**	**50,196,337**	**38,044,231**	40,184,568
Building service equipment	**12,226,195**	**5,419,063**	**6,807,132**	6,157,106
Equipment	**61,996,533**	**53,071,394**	**8,925,139**	11,207,622
	163,316,345	**108,921,504**	**54,394,841**	58,179,391

Equipment includes costs of $295,222 (2018 $1,169,035) for which no amortization has been recorded during the current year because it is currently under construction.

8. Bank indebtedness

The Hospital has a credit facility to be used for general operating purposes. The allowable limit is $10,500,000 (2018- $7,500,000). The credit facility bears interest at a rate equal to the lender's prime rate of 3.95% less 0.65% (2018 - 2.8%) and is secured by a general security agreement. As at March 31, 2019 $5,275,000 (2018 - $5,050,000) has been drawn on this facility.

9. Accounts payable and accrued liabilities

	2019	2018
MOHLTC/NELHIN	**496,897**	134,579
Other payables	**6,162,608**	4,607,944
Payroll remittances	**1,891,041**	952,927
Accrued vacation pay and other entitlements	**3,916,120**	3,781,403
Accrued salaries and wages	**963,608**	830,404
Other accrual	**499,422**	644,295
	13,929,696	10,951,552

10. Long-term debt

	2019	2018
RBC Loan 1 bearing interest as noted below, repayable in variable quarterly payments of principal plus interest. The loan matures in March 2026. See note 11.	**8,951,722**	9,969,083
RBC Loan 2 bearing interest as noted below, repayable in variable quarterly payments of principal plus interest. The loan matures in March 2023. See note 11.	**2,323,614**	2,848,518
	11,275,336	12,817,601
Less: Current portion	**1,780,000**	1,743,000
	9,495,336	11,074,601

10. Long-term debt *(continued from previous page)*

Principal repayments on long-term debt in each of the next four years and thereafter, assuming all term debt is subject to contractual terms of repayment are estimated as follows:

	Total
2020	1,780,000
2021	1,818,000
2022	1,857,000
2023	1,895,000
Thereafter	3,925,336
Total	11,275,336

11. RBC loans

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 gain on breaking the swap rate loan agreement prior to maturation, given the market interest rates as at March 31, 2019 is estimated to be $119,114 (2018 - $319,399).

	2019	*2018*
RBC Loan 1	**9,051,000**	10,237,000
Fair value adjustment of derivative	**(99,278)**	(267,917)
	8,951,722	9,969,083
RBC Loan 2	**2,343,000**	2,900,000
Fair value adjustment of derivative	**(19,386)**	(51,482)
	2,323,614	2,848,518
	11,275,336	12,817,601

12. 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, 2019.

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

Discount rate for calculation of March 31, 2019 disclosures	3.18% (3.37% previous period)
Dental benefits - trend rates	4.00% (same as previous period)
Health benefits - trend rates	4.50% (same as previous period)

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.

12. Employee future benefit liabilities *(continued from previous page)*

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

	2019	*2018*
Accrued benefit liabilities, beginning of year	**4,514,103**	4,303,193
Dental benefits - trend rates	**392,759**	370,941
Health benefits - trend rates	**(173,143)**	(160,031)
Accrued benefit liabilities, end of year	**4,733,719**	4,514,103
Accrued benefit liabilities at March 31 include the following components:		
Accrued benefit obligation	**4,776,107**	4,753,605
Unamortized experience gains (losses)	**(42,388)**	(239,502)
	4,733,719	4,514,103

13. 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:

	Grants	***Donations***	***2019 Total***	*2018 Total*
Balance beginning of year	**29,099,247**	**18,966,058**	**48,065,305**	47,102,628
Add amounts received during the year	**1,064,442**	**791,020**	**1,855,462**	5,216,878
Less amounts amortized to revenue	**(1,631,929)**	**(2,913,150)**	**(4,545,079)**	(4,254,201)
Balance, end of year	**28,531,760**	**16,843,928**	**45,375,688**	48,065,305

Included in the amounts received during the year is $214,152 (2018 -$1,169,035) received for assets not yet placed in use and therefore has not been amortized.

14. Contingent liabilities

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, 2019, no assessments have been received.

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.

15. 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 $4,071,559 (2018 - $3,920,967). These amounts are included in employee benefits in the statement of operations.

16. Other revenue

	2019	*2018*
Patient revenue		
In patient	**618,089**	809,234
Out patients - OHIP	**7,210,191**	7,304,747
Out patients - other	**1,065,070**	869,008
Preferred accommodation	**865,682**	1,068,703
	9,759,032	10,051,692
Recoveries		
Recoveries - other services	**3,109,021**	2,722,165
Recoveries - all other	**2,755,828**	2,486,620
	5,864,849	5,208,785
Other revenue		
Ambulance	**106,427**	87,654
Cafeteria and coffee shop	**748,129**	799,040
Investment income	**5,355**	3,557
Ministry of Health - Emergency Physician Funding	**3,252,206**	3,293,404
Other revenue	**1,398,928**	1,324,369
Undistributed income	**148,164**	131,581
	5,659,209	5,639,605
	21,283,090	20,900,082

17. Other funds

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.

	2019	*2018*
Revenue		
Adult Community Mental Health	**1,113,579**	935,750
Ambulance offload	**65,747**	65,236
Mental Health Out-Patient Sessional fees	**304,562**	299,185
Municipal taxation	**12,300**	12,300
Timmins Health Links	**-**	89,381
Partnerships and projects	**1,723,025**	1,747,148
	3,219,213	3,149,000
Expenses		
Adult Community Mental Health	**1,113,579**	935,750
Ambulance offload	**65,747**	65,236
Mental Health Out-Patient Sessional fees	**304,562**	299,185
Municipal taxation	**12,300**	12,300
Timmins Health Links	**-**	89,381
Partnerships and projects	**1,723,025**	1,747,148
	3,219,213	3,149,000
Excess of revenue over expenses	**-**	-

18. Related party transactions

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 controlled 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 $1,476,745 (2018 - $2,863,741) has been received from the Foundation and recorded as deferred contributions related to capital assets. $111,097 (2018- $976,303) of the amount recorded is included in accounts receivable at year end.

19. Economic dependence

The Organization's primary source of revenue is funding from the Ministry of Health and Long Term Care. The grant funding can be cancelled if the Hospital does not observe certain established guidelines. The Hospital's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within Ministry guidelines. As at the date of these financial statements the Hospital believes that it is in compliance with the guidelines.

20. Financial instruments

The Hospital, as part of its operations, carries a number of financial instruments. It is management's opinion that the Hospital is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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 rate. The Hospital is exposed to this risk through the line of credit and long term debt due to variable rates on the interest.

Liquidity risk

Liquidity risk is the risk that the Hospital will encounter difficulty in meeting obligations associated with financial liabilities. The Hospital is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities and long-term debt

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Hospital enters into transactions to purchase stocks in publicly traded companies, for which the market price fluctuates.

21. Subsequent event

After year end, the Hospital committed to build a co-generation plant that will allow them to supply their own power source. The project will be financed by a demand bank loan at a maximum amount of $6,000,000, with an interest payable at a rate of prime less 0.75%. After the construction is complete, the loan will be turned into a swap financing agreement. On April 2, 2019, the Hospital drew approximately $759,000 to pay Hydro One to lock in the connectivity to the hydro grid.