

Financial statements of

**Trillium Health Partners**

March 31, 2015

# Trillium Health Partners

March 31, 2015

## Table of contents

Independent Auditor's Report .....	1-2
Statement of financial position .....	3
Statement of operations .....	4
Statement of remeasurement gains and losses .....	5
Statement of changes in net assets .....	6
Statement of cash flows .....	7
Notes to the financial statements .....	8-20



Deloitte LLP  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1  
Canada

Tel: 416-601-6150  
Fax: 416-601-6151  
[www.deloitte.ca](http://www.deloitte.ca)

## **Independent Auditor's Report**

To the Board of Directors of Trillium Health Partners

We have audited the accompanying financial statements of Trillium Health Partners, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, remeasurement gains and losses, changes in net assets and cash flows 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 Trillium Health Partners as at March 31, 2015, 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.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
May 28, 2015

# Trillium Health Partners

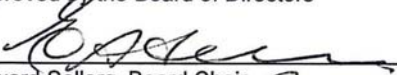
## Statement of financial position


as at March 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Assets</b>		
Current assets		
Cash	205,958	224,795
Short-term investments (Note 3)	7,076	7,072
Accounts receivable		
Ministry of Health and Long-Term Care, Mississauga-Halton		
Local Health Integration Network and other Ministries	22,445	28,662
Other	18,907	17,807
Inventories	6,106	5,736
Prepaid expenses	6,198	4,958
	<b>266,690</b>	<b>289,030</b>
Capital assets (Note 4)	654,969	653,489
Intangible assets - licenses	2,892	2,892
Long-term investments (Note 3)	19,962	18,631
	<b>944,513</b>	<b>964,042</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	114,201	112,429
Due to Ministry of Health and Long-Term Care, Mississauga-Halton		
Local Health Integration Network and other Ministries	11,388	62,391
Deferred contributions	1,877	2,108
Provincial capital grant	4,236	4,236
Obligation under capital leases (Note 5)	172	277
Current portion of long-term debt (Note 7)	3,393	3,269
	<b>135,267</b>	<b>184,710</b>
Long-term debt (Note 7)	45,114	48,282
Obligation under capital leases - long-term portion (Note 5)	504	1,161
Employee future benefits (Note 8)	28,847	26,874
Deferred capital grants and contributions (Note 9)	462,601	462,321
	<b>672,333</b>	<b>723,348</b>
<b>Net assets</b>		
Investment in capital assets (Note 9)	143,185	138,179
Internally restricted- major initiatives (Note 10)	92,868	81,200
Internally restricted- other	5,475	5,426
Unrestricted	29,855	15,179
	<b>271,383</b>	<b>239,984</b>
Accumulated remeasurement gains	797	710
	<b>944,513</b>	<b>964,042</b>

Approved by the Board of Directors

  
Edward Sellers, Board Chair

  
Nicholas Zelenczuk, Treasurer

The accompanying notes to the financial statements are an integral part of this financial statement.

# Trillium Health Partners

## Statement of operations

year ended March 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Revenue</b>		
Ministry of Health and Long-Term Care, Mississauga-Halton Local Health Integration Network and other Ministries (Note 11)	818,570	849,967
Other income	43,379	39,416
Investment income	3,121	2,294
Amortization of deferred capital grants and contributions - equipment	6,747	6,767
Other agencies and patients	85,847	81,524
Special programs - Ministries of Health and Long-Term Care and of Community and Social Services	29,541	28,512
	<b>987,205</b>	<b>1,008,480</b>
<b>Expenses</b>		
Salaries, wages and employee benefits	645,606	622,597
Medical and surgical	66,376	66,904
Drug supplies	44,021	40,970
Other supplies and expenses	134,309	131,343
Amortization - equipment	23,850	24,212
Special programs - Ministries of Health and Long-Term Care and of Community and Social Services	29,478	28,449
	<b>943,640</b>	<b>914,475</b>
Excess of revenue over expenses, as per Hospital Accountability Agreement	43,565	94,005
Amortization of deferred capital grants and contributions - building	13,768	13,558
Amortization - land improvements and buildings	(23,703)	(23,040)
Interest on long-term debt	(2,231)	(2,373)
	<b>(12,166)</b>	<b>(11,855)</b>
<b>Excess of revenue over expenses for the year</b>	<b>31,399</b>	<b>82,150</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Trillium Health Partners

## Statement of remeasurement gains and losses

year ended March 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Accumulated remeasurement gains and (losses), beginning of year</b>	<b>710</b>	<b>(448)</b>
Unrealized gains (losses) attributable to		
Long-term investments	<b>668</b>	994
Interest rate swaps	<b>(225)</b>	450
Amounts reclassified to statement of operations		
Gain on sale of long-term investments	<b>(356)</b>	(286)
Net remeasurement gains for the year	<b>87</b>	1,158
<b>Accumulated remeasurement gains, end of year</b>	<b>797</b>	<b>710</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Trillium Health Partners

## Statement of changes in net assets

year ended March 31, 2015

(In thousands of dollars)

					2015	2014
	Investment in capital assets	Internally restricted major initiatives	Internally restricted other	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Balances, beginning of year</b>	<b>138,179</b>	<b>81,200</b>	<b>5,426</b>	<b>15,179</b>	<b>239,984</b>	157,834
Excess of revenue over expenses						
before the under noted	-	(608)	49	58,985	58,426	109,208
Realized (loss) gain on capital assets retirement	(3)	-	-	14	11	(131)
Amortization of capital assets	(47,553)	-	-	-	(47,553)	(47,252)
Amortization of deferred capital grants and contributions	20,515	-	-	-	20,515	20,325
	(27,041)	(608)	49	58,999	31,399	82,150
Transfer unrestricted net assets to internally restricted for major initiatives (Note 10)	-	14,200	-	(14,200)	-	-
	-	14,200	-	(14,200)	-	-
Acquisition of capital assets	49,036	(1,924)	-	(47,112)	-	-
Payment of capital leases	762	-	-	(762)	-	-
Payment of long-term debt	3,044	-	-	(3,044)	-	-
Deferred capital grants and contributions received	(20,795)	-	-	20,795	-	-
	32,047	(1,924)	-	(30,123)	-	-
<b>Balances, end of year</b>	<b>143,185</b>	<b>92,868</b>	<b>5,475</b>	<b>29,855</b>	<b>271,383</b>	239,984

The accompanying notes to the financial statements are an integral part of this financial statement.



# Trillium Health Partners

## Statement of cash flows

year ended March 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	31,399	82,150
Amortization of capital assets	47,553	47,252
Amortization of deferred capital grants and contributions	(20,515)	(20,325)
Employee future benefits	1,973	2,034
(Gain) loss on capital assets retirement	(11)	131
(Gain) on sale of long-term investments	(357)	(286)
	<b>60,042</b>	110,956
Changes in non-cash operating items		
Accounts receivable	5,117	(2,125)
Inventories	(370)	(222)
Prepaid expenses	(1,240)	5,686
Accounts payable and accrued liabilities	4,158	15,918
Deferred contributions	(231)	(1,288)
Due to Ministry of Health and Long-Term Care, Mississauga-Halton Local Integration Network and other Ministries	(51,003)	(59,755)
	<b>16,473</b>	69,170
<b>Investing activities</b>		
(Purchase) sale of short-term investments, net	(4)	5,585
(Purchase) of long-term investments, net	(974)	(6,844)
Changes in the fair value of investments	312	708
	<b>(666)</b>	(551)
<b>Capital activities</b>		
Proceeds from disposal of capital assets	14	-
Acquisition of capital assets	(43,018)	(44,523)
	<b>(43,004)</b>	(44,523)
<b>Financing activities</b>		
Deferred capital grants and contributions received	12,391	12,408
Repayment of long-term debt	(3,269)	(11,813)
Obligation under capital leases	(762)	(768)
	<b>8,360</b>	(173)
Net (decrease)increase in cash	<b>(18,837)</b>	23,923
Cash, beginning of year	<b>224,795</b>	200,872
<b>Cash, end of year</b>	<b>205,958</b>	224,795
<b>Supplemental disclosure</b>		
Capital asset additions included in accounts payable and accrued liabilities	3,349	5,735
Capital asset additions and deferred capital contributions received during the year for Nil consideration	8,404	-

The accompanying notes to the financial statements are an integral part of this financial statement.

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 1. Operations

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

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

### 2. Summary of significant accounting policies

#### *Financial statement presentation*

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (“PSAS”).

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

Effective July 1, 2013 the legacy organizations of Credit Valley Hospital Foundation (“the CVH Foundation”) and Trillium Health Centre Foundation (“THC Foundation”) merged to form the Trillium Health Partners Foundation (“THP Foundation”). The financial statements do not include the assets, liabilities or operations of THP Foundation or Trillium Health Partners Volunteers (“THP Volunteers”) formerly named the Volunteers of Trillium Health Centre as the respective organizations are not controlled by the Hospital, maintain their own accounts and report separately from the Hospital to their own governing bodies.

#### *Revenue recognition*

The Hospital recognizes contributions under the deferral method, whereby restricted contributions are recognized as revenue in the same period in which the related restriction is fulfilled.

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 period in which the related restriction is fulfilled. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted investment income is recognized as revenue when earned.

#### *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.

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 2. Summary of significant accounting policies (continued)

#### *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
Long-term investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Obligation under capital lease	Amortized cost
Due to/from MOHLTC/LHIN and other ministries	Amortized cost
Long-term debt	Amortized cost
Interest rate swaps	Fair value
Provincial capital grant	Amortized cost

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

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

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

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

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

#### *Impairment of financial instruments*

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

#### *Inventories*

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

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 2. Summary of significant accounting policies (continued)

#### *Capital assets*

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Expenditures for new facilities or expenditures which substantially increase the useful lives of the existing capital assets are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are expensed as incurred. Amortization is provided on a straight-line basis at the following annual rates based upon the estimated useful lives of the assets:

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

---

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

#### *Equipment under capital lease*

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

#### *Impairment of long-lived assets*

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

#### *Intangible assets*

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

#### *Short-term investments*

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

#### *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.

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 2. Summary of significant accounting policies (continued)

#### *Pension plan*

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

#### *Employee future benefits*

The cost of post-employment benefits is determined using the projected benefit method pro-rated on service and various assumptions. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial yield curve and a spread. Effective December 31, 2014 the spread is equal to 50% of the yield spread between Ontario provincial and AA corporate bonds. Previously 50% of the average spread over the preceding 12 month period was used. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed in the period of the plan amendment.

#### *Use of estimates*

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect revenues and expenses during the reporting period, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to obligations for employee future benefits, certain accruals, deferred revenue and estimated useful life of capital assets.

### 3. Investments

	2015		2014	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Short-term investments	7,091	7,076	7,071	7,072
Investment in Credit Valley				
Trillium ProResp Inc.	198	198	198	198
Restricted cash and cash equivalents	3,845	3,845	3,768	3,768
Fixed income securities	9,989	10,329	9,464	9,476
Equity securities	4,257	5,590	3,857	5,189
Long-term investments	18,289	19,962	17,287	18,631
Total investments	25,380	27,038	24,358	25,703

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

A total of 47% (2014 - 55%) of the fixed income securities at fair value are issued by the provincial and Canadian governments and 53% (2014 - 45%) by Canadian corporations.

The weighted average term to maturity for fixed income securities is approximately 6.3 years (2014 - 5.8 years).

Approximately 59% (2014 - 59%) of the equity securities at fair value are issued by Canadian corporations, 21% (2014 - 21%) by U.S. corporations and 20% (2014 - 20%) by international corporations.

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 3. Investments (continued)

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 2015, the investment was \$198 (2014 - \$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 \$250 (2014 - \$426) has been included in the Statement of operations as other income. For 2015, ProResp will make a donation to the THP Foundation of \$250 (2014 - \$75).

### 4. Capital assets

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	3,216	-	3,216	3,216
Buildings and land improvements	805,721	265,324	540,397	552,400
Equipment	420,550	337,184	83,366	81,769
Equipment under capital lease	1,265	312	953	1,524
Construction in progress	27,037	-	27,037	14,580
	<b>1,257,789</b>	<b>602,820</b>	<b>654,969</b>	<b>653,489</b>

In 2015, Cancer Care Ontario transferred capital assets to the Hospital in the amount \$8,404 for \$Nil consideration.

### 5. Capital lease obligation

The Hospital has undertaken to lease certain operating equipment. The effective interest rates of the capital leases is 1.2% to 4%.

Future minimum payments under the capital leases are as follows:

	\$
Year ending March 31	
2016	179
2017	506
	<b>685</b>
Less amounts representing interest	(9)
Present value of minimum lease payments	676
Current portion	172
Long-term portion	504

Interest included in the Statement of operations related to the capital lease is \$43 (2014 - \$151).

### 6. Credit facilities

The Hospital has an available line of credit of \$40,000 at Royal Bank of Canada ("RBC") prime rate minus 0.75%. At March 31, 2015 \$100 is utilized for letters of credit (2014 - \$100 utilized for letters of credit). As well, the Hospital has an available line of credit for leases of \$13,000. At March 31, 2015, the full amount was unutilized (2014 - the full amount was unutilized).

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 7. Long-term debt

	2015	2014
	\$	\$
Loan due November 1, 2020, interest at 7.24%, requiring current monthly principal repayments of approximately \$28. Secured by first charge on parking revenue.	2,231	2,540
Loan due March 31, 2016, interest at prime, requiring current monthly principal repayments of approximately \$76, interest fixed at 5.12% through an Interest Rate Swap contract. Secured by second charge on parking revenue.	917	1,795
Loan due June 30, 2021, interest at prime, requiring current monthly principal repayments of approximately \$179, interest fixed at 3.42% through an Interest Rate Swap contract. Secured by second charge on parking revenue.	14,499	16,581
Loan due December 1, 2036, interest at 4.87%, requiring no principal payments until January 1, 2017, unsecured.	30,000	30,000
	<b>47,647</b>	50,916
Fair value adjustment in respect of interest rate swaps agreement	860	635
	<b>48,507</b>	51,551
Less: current portion	<b>3,393</b>	3,269
	<b>45,114</b>	48,282

In July 2000, the Hospital entered into a loan agreement as financing for a parking garage expansion. The loan is due November 1, 2020. The bank loan and interest rate swap due March 31, 2016 were entered into on March 31, 2006 in connection with an additional parking expansion. The bank loan and interest rate swap due June 30, 2021 were entered into on June 30, 2011 as financing for the expansion of a parking garage and building.

On December 1, 2006 the Hospital entered into a fixed rate unsecured loan agreement, in the amount of \$30 million, for a term of 30 years. The proceeds were used to primarily finance the construction of a new clinical administration building in Mississauga, Ontario. Interest only is payable, monthly in arrears, during the first ten years of the term beginning January 1, 2007. There are no principal repayments to be paid until January 1, 2017 at which time blended payments of principal and interest shall commence. The interest rate is fixed at 4.87% for the 30 year term. Interest arising from this debt instrument amounted to \$1,461 (2014 - \$1,461).

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 7. Long-term debt (continued)

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

	\$
2016	3,393
2017	2,787
2018	4,436
2019	3,719
2020	3,867
2021 and thereafter	30,305
	<hr/> 48,507

### 8. Employee future benefits

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

#### *Pension plan*

HOOPP is a multi-employer best five consecutive year average pay defined benefit pension plan. Enrolment in HOOPP is mandatory for full-time staff upon hire date. Part-time employees may qualify for optional membership. Contributions made to the Plan during the year by the Hospital amounted to \$38,144 (2014 - \$36,496) 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.

Both pension plan and employee future benefits are included in salaries, wages and employee benefits expense in the Statement of operations.



# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 8. Employee future benefits (continued)

	2015	2014
	\$	\$
Change in benefit obligation		
Accrued benefit obligation, beginning of year	28,359	27,341
Current period benefit cost	2,115	2,109
Interest on accrued benefits	1,190	1,079
Benefit payments	(1,459)	(1,340)
Actuarial losses (gains)	6,411	(830)
Accrued benefit obligation, end of year	36,616	28,359
Accrued benefit obligation, end of year	36,616	28,359
Unamortized actuarial losses	(7,769)	(1,485)
Accrued benefit liability, end of year	28,847	26,874
Expense recorded in the Statement of operations		
Current period benefit cost	2,115	2,109
Amortization of actuarial losses	127	187
Interest expense	1,190	1,079
Total expense	3,432	3,375
Significant assumptions		
Discount rate - accrued benefit obligation (%)	3.00	4.00
Dental cost trend rate (%)	3.75	4.00
Extended health care trend rates	see (a) below	see (b) below
Expected average remaining service life to retirement (years)	13	14

Extended health care trend rates:

(a) 2015 - 7.0% in fiscal 2015; decreasing by 0.25% per annum to 4.75% and thereafter in 2024

(b) 2014 - 7.5% in fiscal 2014; decreasing by 0.25% per annum to 5% and thereafter in 2024

### 9. Deferred capital grants and contributions

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

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 9. Deferred capital grants and contributions (continued)

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

	2015	2014
	\$	\$
Balance, beginning of year	462,321	470,238
Amortization to revenue during the year	(20,515)	(20,325)
Amount received during the year	20,795	12,408
Balance, end of year	462,601	462,321

Included in deferred capital grants and contributions is \$3,780 (2014 - \$3,723) restricted by the Ministry for amounts advanced to the Hospital for redevelopment.

Investment in capital assets is comprised of the following:

	2015	2014
	\$	\$
Capital assets (Note 4)	654,969	653,489
Amounts financed by deferred capital grants and contributions	(462,601)	(462,321)
Amounts financed by long-term debt (Note 7)	(48,507)	(51,551)
Amounts financed by capital leases (Note 5)	(676)	(1,438)
Balance, end of year	143,185	138,179

### 10. Net assets - Internally restricted - major initiatives

During the year the Board of Directors internally restricted \$14,200 for strategic initiatives over the next several years including advancing the Hospital's planning and redevelopment, and funding the Hospital's share of Ministry-approved projects. In 2014, the Hospital internally restricted \$81,200 for strategic initiatives including replacement of the Hospital's information systems, site redevelopment including infrastructure and research and innovation.

### 11. Ministry of Health and Long-Term Care, Local Health Integration Network and other Ministries

The Hospital recorded revenue of \$nil (2014 - \$56,188) resulting from the final settlement with the Ministry of incremental funding for additional patient volumes made available as the result of the Hospital's major construction and renovation projects that have reached completion over the past several years. The Ministry advances funding for expansion based upon anticipated volumes and subsequently settles with the Hospital based on actual volumes. During previous years, management had estimated the amount of revenue repayable to the Ministry based on its understanding of the terms of the expansion funding, and recorded this amount as a current liability. This settlement represents approval of funding for additional patient volumes delivered prior to March 31, 2014.

### 12. Related party transactions and balances

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

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 12. Related party transactions and balances (continued)

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

	2015		2014
	THP Foundation	THP Volunteers	Total
	\$	\$	\$
Capital grants and contributions received during the year	6,582	46	6,628
Operating contributions	1,220	508	1,728
	7,802	554	8,356

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

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

In addition, the Hospital entered into management agreements with the THP Foundation whereby the Hospital was appointed manager of the parking facility. Included in other income on the Statement of operations is \$6,236 (2014 - \$10,767) of management fee revenue and \$1,295 (2014 - \$2,220) of rental revenue related to these agreements with the THP Foundation. Effective November 1, 2014 the Hospital terminated these agreements.

In conjunction with two other hospitals, the Hospital is a member of West GTA Healthcare Shared Services Corporation, operating as Shared Services West (SSW). SSW is a non-profit corporation, administered by a ten member board including four voting members from the Hospital and four from the other member hospitals. During the year, the Hospital paid membership fees and capital contributions to SSW in the amount of \$5,227 (2014 - \$6,152). SSW provides purchasing, contract management and logistics services for the Hospital. On behalf of SSW, the Hospital provided a guarantee of 51% of a \$2,500 credit facility. As of March 31, 2015, the outstanding balance on this credit facility was \$73 (2014 - \$933). During the year, the Hospital provided employee health and safety advisory services to SSW and charged \$12 (2014 - \$12) for its services.

### 13. Contingencies, commitments and guarantees

- (a) The Hospital is named in lawsuits from time to time. With respect to claims at March 31, 2015, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.
- (b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and, therefore, has an economic interest in HIROC. HIROC is a 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, 2015.

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

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 13. Contingencies, commitments and guarantees (continued)

(b) (continued)

Effective January 1, 2015, the Hospital entered into an agreement with HIROC whereby HIROC continues to provide indemnity insurance to the Hospital; however, the cost of investigating and defending any litigation claim, previously included in the insurance premium, will be borne by the Hospital. Under the agreement, The Hospital provides deposits to HIROC Management Limited, which acts as an agent to pay legal expenses on behalf of the Hospital. The impact on these financial statements is not significant.

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

	\$
2016	542
2017	454
2018	305
2019	184
2020	43
2021 and thereafter	19
	<hr/> 1,547

(d) In the normal course of business, the Hospital has entered into agreements that meet the definition of a guarantee and may include indemnities in favour of third parties. The Hospital's primary guarantees are as follows:

- (i) 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.
- (ii) On behalf of SSW, the Hospital provided a guarantee of 51% of a \$ 2,500 credit facility. As of March 31, 2015, the outstanding balance on this credit facility was \$73 (2014 - \$933).
- (iii) In the normal course of business, the Hospital has entered into agreements that include indemnities in favor of third parties. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The nature of these indemnification agreements prevents the Hospital from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, if any, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Hospital has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the Statement of financial position with respect to these agreements.

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

---

### 14. 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. Unless otherwise noted, it is management's opinion that the Hospital is not subject to significant interest or currency risk arising from these instruments.

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

#### *Fair value hierarchy*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

	<b>Fair value asset (liability)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	<b>205,958</b>	<b>205,958</b>	-	-
Investments in equity securities	<b>5,590</b>	<b>5,590</b>	-	-
Investments in fixed income securities	<b>10,329</b>	-	<b>10,329</b>	-
Interest rate swaps	<b>(860)</b>	-	<b>(860)</b>	-

# Trillium Health Partners

## Notes to the financial statements

March 31, 2015

(In thousands of dollars)

### 14. Financial instruments (continued)

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2014:

	Fair value asset (liability)	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Cash	224,795	224,795	-	-
Investments in equity securities	5,189	5,189	-	-
Investments in fixed income securities	9,476	-	9,476	-
Interest rate swaps	(635)	-	(635)	-

#### *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*

Credit risk arises from cash and cash equivalents held with financial institutions, and credit exposures to customers on outstanding accounts receivable balances. The Hospital does not have any significant past due accounts receivable that are not provided for. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit-rating agencies minimizing any potential exposure to credit risk. The Hospital assesses the credit quality of the counterparties, taking into account their financial position and other factors.

#### *Liquidity risk*

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

#### *Market risk*

The Hospital is exposed to interest rate risk and price risk with regards 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).

### 15. Reclassification of comparative figures

Certain of the prior year comparative figures relating to accounts receivable, accounts payable, and accrued liabilities, and due to Ministry of Health Long-Term Care, Mississauga-Halton Local Health Integration Network and other Ministries have been reclassified to conform to the current year's financial statement presentation.