

Financial Statements of

**HAMILTON HEALTH SCIENCES
CORPORATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hamilton Health Sciences Corporation

We have audited the accompanying financial statements of Hamilton Health Sciences Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 in our audit 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 Hamilton Health Sciences Corporation as at March 31, 2017 and the results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The financial statements of Hamilton Health Sciences Corporation as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unqualified opinion on the financial statements on June 23, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2017
Hamilton, Canada

HAMILTON HEALTH SCIENCES CORPORATION

Statement of Financial Position
(In \$000's)

March 31, 2017, with comparative figures for 2016

	2017	2016
Assets		
Current assets:		
Restricted cash and cash equivalents (note 2)	\$ 51,757	\$ 68,603
Short-term investments (note 2)	13,574	3,600
Accounts receivable (note 3)	95,752	89,063
Inventories	13,848	13,927
Prepaid expenses and deposits	8,265	6,386
	<u>183,196</u>	<u>181,579</u>
Portfolio investments (note 4)	103,104	98,107
Other non-current assets	9,518	8,836
Capital assets, net (note 5)	872,480	880,734
	<u>\$1,168,298</u>	<u>\$1,169,256</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Bank indebtedness (note 6)	\$ 88,201	\$ 95,099
Accounts payable and accrued liabilities	164,048	123,311
Deferred revenue	1,076	1,596
Current portion of obligations under capital leases (note 7)	4,351	6,711
Current portion of long-term debt (note 8)	6,021	5,870
	<u>263,697</u>	<u>232,587</u>
Obligations under capital leases (note 7)	4,115	8,466
Long-term debt (note 8)	47,723	53,745
Post-retirement benefit obligations (note 9 (b))	60,889	60,867
Other long-term liability	4,180	3,602
Derivative liability (note 8)	9,810	12,598
Deferred capital contributions (note 10)	652,944	657,411
Deferred research contributions (note 11)	97,209	124,885
	<u>1,140,567</u>	<u>1,154,161</u>
Net assets (deficit):		
Unrestricted	(227,218)	(228,738)
Invested in capital assets (note 12 (a))	166,495	160,477
Board designated	88,667	86,794
Accumulated remeasurement losses	(213)	(3,438)
	<u>27,731</u>	<u>15,095</u>
Commitments and contingencies (notes 14 and 15(e))		
	<u>\$1,168,298</u>	<u>\$1,169,256</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

HAMILTON HEALTH SCIENCES CORPORATION

Statement of Operations
(In \$000's)

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Revenue:		
Local Health Integration Network ("LHIN")	\$1,072,047	\$1,052,596
Ontario Health Insurance Plan	37,663	38,423
Other ministries	40,918	30,190
Patient and third party payers	25,705	25,360
Investment income (note 4)	257	281
Amortization of deferred capital contributions (note 10)	33,560	29,775
Ancillary and other recoveries	98,507	99,697
Research (note 11)	160,390	128,915
	<u>1,469,047</u>	<u>1,405,237</u>
Expenses:		
Salaries and employee benefits	817,342	796,312
Medical staff remuneration	80,827	79,663
Medical and surgical supplies	67,015	64,839
Drugs	85,816	86,805
Facilities	26,151	24,496
Amortization of capital assets	54,249	52,694
Other expenses	170,070	154,847
Research (note 11)	134,295	124,745
	<u>1,435,765</u>	<u>1,384,401</u>
Excess of revenues over expenses before designated transfer of assets	\$ 33,282	\$ 20,836
Designated transfer of assets (note 15(c))	\$ 23,871	\$ -
Excess of revenues over expenses for the year	<u>\$ 9,411</u>	<u>\$ 20,836</u>

See accompanying notes to financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Statement of Changes in Net Assets
(In \$000's)

Year ended March 31, 2017, with comparative figures for 2016

	Unrestricted	Invested in capital assets	Board designated	Total 2017	Total 2016
		(note 12)			
Net assets (deficit) beginning of year	\$(228,738)	\$ 160,477	\$ 86,794	\$ 18,533	\$ (2,303)
Excess of revenue over expenses for the year	9,411	-	-	9,411	20,836
Transfer to Board designated	(2,038)	-	2,038	-	-
Transfer from Board designated	165	-	(165)	-	-
Net change in invested in capital assets (note 12(b))	(6,018)	6,018	-	-	-
Net assets (deficit) end of year	\$(227,218)	\$ 166,495	\$ 88,667	\$ 27,944	\$ 18,533

See accompanying notes to financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Statement of Remeasurement Gains and Losses
(In \$000's)

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Accumulated remeasurement losses, beginning of year	\$ (3,438)	\$ (701)
Unrealized gains (losses) attributable to:		
Derivatives	2,788	130
Portfolio investments	5,332	(801)
Foreign exchange	(4,014)	1,136
	4,106	465
Unrealized (gains) losses reclassified to deferred contributions:		
Portfolio investments	1,981	(679)
Foreign exchange	(5)	(133)
	1,976	(812)
Realized (gains) losses reclassified to statement of operations:		
Portfolio investments	(2,975)	(2,088)
Foreign exchange	118	(302)
	(2,857)	(2,390)
Net remeasurement gains (losses) for the year	3,225	(2,737)
Accumulated remeasurement losses, end of year	\$ (213)	\$ (3,438)

See accompanying notes to financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Statement of Cash Flows
(In \$000's)

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 9,411	\$ 20,836
Items not involving cash:		
Amortization of capital assets	58,060	56,638
Amortization of deferred capital contributions	(35,273)	(31,754)
Non-pension post-retirement benefits expense	3,809	5,299
Gain on disposal of deferred capital	(1,852)	(5,088)
Loss on disposal of capital assets	3,689	9,526
Net gain on portfolio investments	(4,894)	(2,079)
	<u>32,950</u>	<u>53,378</u>
Net change in non-cash working capital balances related to operations (note 13)	31,628	(21,199)
Increase in other long-term liability	578	645
Non-pension post-retirement funding contributions	(3,787)	(3,011)
(Decrease) increase in deferred research contributions	(27,676)	25,535
	<u>33,693</u>	<u>55,348</u>
Capital activities:		
Purchase of capital assets	(53,434)	(121,476)
Proceeds from disposal of capital assets	300	4
	<u>(53,134)</u>	<u>(121,472)</u>
Investing activities:		
Increase in other non-current assets	(682)	(943)
Purchase of investments	(37,781)	(45,597)
Proceeds on sale of investments	28,141	28,260
Decrease (increase) in restricted cash and cash equivalents (net)	16,846	(24,857)
	<u>6,524</u>	<u>(43,137)</u>
Financing activities:		
Contributions received for capital purposes	32,658	103,836
Repayment of long-term debt	(5,871)	(6,050)
Payment of obligations under capital leases	(6,972)	(10,741)
	<u>19,815</u>	<u>87,045</u>
Net decrease (increase) in bank indebtedness during the year	6,898	(22,216)
Bank indebtedness, beginning of year	(95,099)	(72,883)
Bank indebtedness, end of year	<u>\$ (88,201)</u>	<u>\$ (95,099)</u>
Supplemental information:		
Interest paid	\$ 3,601	\$ 3,968
Non-cash transactions:		
Purchase of capital assets included in accounts payable and accrued liabilities	2,643	2,543
Purchase of capital assets through lease obligations	261	1,278

See accompanying notes to financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

Hamilton Health Sciences Corporation (the “Hospital”) is a family of six unique hospitals and six specialized facilities, serving more than 2.3 million residents of Hamilton and south central Ontario. The Hospital is an academic health science organization incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada) and as such is exempt from income taxes.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”), including standards that apply to government not-for-profit organizations.

These financial statements include the assets, liabilities and activities of the Hospital. The financial statements do not include the activities of Hamilton Health Sciences Foundation (the “Foundation”), Hamilton Health Sciences Volunteer Association (the “Volunteer Association”), Hamilton Health Sciences Research Institute (“HHSRI”), West Lincoln Memorial Hospital Foundation (the “WLMH Foundation”) and West Lincoln Memorial Auxiliary (the “Auxiliary”), which are non-controlled not-for-profit entities (notes 15(a), (b), (c) and (d)), or the activities of Bay Area Health Trust (“BAHT”), which is a non-controlled for-profit entity (note 15(e)).

A summary of the significant accounting policies is as follows:

(a) Revenue recognition:

The Hospital operates under a Hospital Service Accountability Agreement (the “H-SAA”) with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the “LHIN”). The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance. Effective April 1, 2016, the Hospital entered into an amending agreement extending the H-SAA to March 31, 2017. Since year end, the Hospital entered into a further amending agreement extending the H-SAA to March 31, 2018.

If the Hospital does not meet certain performance standards or obligations, the LHIN has the right to adjust certain funding streams received by the Hospital. Given that the LHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management’s estimates of amounts earned during the year.

The Hospital follows the deferral method of accounting for contributions. 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.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Capital contributions received for the purpose of acquiring amortizable capital assets are deferred and amortized on the same basis and over the same period as the related capital assets.

Grants for sponsored research and other externally restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred. In circumstances where all contractual obligations are satisfied, excess funding may be retained by the Hospital at the completion of a research project.

Investment income is recognized as revenue when earned except where contractually obligated to accrue interest to a deferred capital project or research study.

Revenue from other services is recognized when an arrangement is in place, services are provided or goods are sold and collectability is reasonably assured.

(b) Inventories:

Inventories are valued at the lower of average cost and replacement value.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value at the date of donation. Amortization is provided on a straight-line basis over the estimated useful life of the related capital asset. The amortization periods are as follows:

	Estimated useful life
Building and building improvements	20 to 40 years
Equipment	5 to 20 years

Building renovations and alterations that restore original operating conditions are expensed in the year incurred. Building improvements that reduce original operating costs or increase original capacity are capitalized as building improvements. Construction-in-progress is transferred to the appropriate asset category once the particular project is complete and amortization commences when the assets are ready for use.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, it is considered impaired. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(e) Equipment under capital leases:

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the Hospital as lessee are capitalized at the present value of the minimum payments, excluding executor costs, under the lease with a corresponding liability for the related lease obligations. The discount rate used to determine the present value of the lease payment is the lower of the Hospital's rate of incremental borrowing or the interest rate implicit in the lease. Charges to expenses are made for amortization on the equipment and interest on the lease obligations.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Employee benefit plans:

- Multi-employer plan:

Employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer average of the best five years' pay contributory pension plan, and employees are entitled to certain post-employment benefits. In accordance with PSAS, the plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit plan accounting.

- Post-retirement benefit obligations:

The Hospital accrues its obligations under non-pension employee benefit plans as employees render services.

Certain employees of the Hospital are entitled to receive other post-employment benefits. The cost of these benefits is determined using the accrued benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Hospital's long-term cost of borrowing consistent with the specific rates of interest and periods committed to by the Hospital on amounts borrowed. The Hospital estimated its long-term cost of borrowing by referencing the rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on the cash flows expected from the post-retirement benefit obligations. Past service costs relating to plan amendments are expensed when incurred. Actuarial gains and losses are amortized over the remaining service periods of the employees. The average remaining service period of active employees is 16 years.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value of portfolio investments that are Board designated are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Unrealized changes in fair value of portfolio investments related to externally restricted research are recorded in deferred research contributions.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

There are three levels of fair value measurement to classify and measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(h) Board designated net assets:

Board designated net assets include unrestricted donations and bequests as well as certain fund surpluses designated for specific purposes by the Board of Directors.

(i) Contributed services and materials:

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and as such is not reflected in these financial statements. Contributed materials by volunteers are also not recognized in these financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, carrying amount of capital assets and obligations related to post-retirement benefits. Actual results could differ from those estimates.

2. Restricted cash and cash equivalents and short-term investments:

Restricted cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

Restricted cash and cash equivalents in the amount of \$51,757 (2016 - \$68,603) consist of cash, high interest savings units, money market funds and investments with maturities of less than three months at the date of acquisition that are readily convertible into known amounts of cash and include Canadian, US dollar and Euro currencies. These funds are held for the Hospital's internally and externally designated trusts and research operations of \$42,728 (2016 - \$60,058), construction facilities of \$8,979 (2016 - \$8,507) and patient trust accounts of \$50 (2016 - \$38).

Cash in the Hospital's Canadian bank account earns interest at a rate of prime less 1.63%. Cash in the Hospital's US bank accounts earns interest at the US bankers' acceptance rate less 4%, which currently stands at the minimum rate of nil%. Cash in the Hospital's Euro bank accounts earn no interest.

A portion of the cash held in designated trusts and research operations is invested in high interest savings accounts, Canadian holdings with an average rate of 1.00% (2016 - 1.00%), US dollar holdings with an average rate of 0.70% (2016 - 0.43%) and Euro holdings with an average rate of nil% (2016 - nil%).

Short-term investments consist of guaranteed investment certificates, deposit notes, government and corporate bonds and other fixed term securities with remaining maturities of less than one year. These investments earn interest at an average of 1.89% (2016 - 1.68%) and are recorded at fair value of \$13,574 (2016 - \$3,600) as at March 31, 2017, with a cost of \$13,556 (2016 - \$3,600). Of these funds, \$12,095 (2016 - \$3,500) are held for the Hospital's internally and externally designated trusts, commitments and research operations.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

3. Accounts receivable:

	2017		2016	
LHIN	\$	31,907	\$	31,431
Ontario Health Insurance Plan		7,853		7,830
Patient		9,796		9,556
BAHT (note 15 (e))		2,110		1,645
Foundation, Volunteer Association, WLMH Foundation and Auxiliary (notes 15(a), (b), and (d))		4,831		4,418
Research		23,012		17,896
Other		16,243		16,287
	\$	95,752	\$	89,063

4. Portfolio investments:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Fixed income:				
Canadian	\$ 43,859	\$ 47,090	\$ 41,805	\$ 45,899
US	1,329	1,331	2,589	2,597
Preferred shares:				
Canadian	3,137	3,232	4,147	4,153
Equities:				
Canadian	23,721	28,482	22,214	24,822
US	18,520	22,969	17,152	20,636
	\$ 90,566	\$ 103,104	\$ 87,907	\$ 98,107

Fixed income investments have a weighted average term of 4.25 years (2016 - 4.79 years) to maturity and have an average yield of 3.94% (2016 - 4.07%) as at March 31, 2017. Of the portfolio investments, \$102,904 (2016 - \$97,707) are held for the Hospital's internally and externally designated trusts, commitments and research operations.

Investment income of \$6,702 (2016 - \$5,319) consists of \$6,445 (2016 - \$5,038) from research operations and \$257 (2016 - \$281) from hospital operations and is comprised of the following:

	2017		2016	
Interest and dividend income	\$	3,965	\$	3,451
Net realized gains		2,975		2,088
Less: investments fees		(238)		(220)
	\$	6,702	\$	5,319

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

5. Capital assets:

Capital assets consist of the following:

March 31, 2017	Cost	Accumulated amortization	Net book value
Land	\$ 1,126	\$ -	\$ 1,126
Building and building improvements	946,062	220,614	725,448
Equipment	440,176	341,848	98,328
Construction-in-progress	47,578	-	47,578
	<u>\$ 1,434,942</u>	<u>\$ 562,462</u>	<u>\$ 872,480</u>

March 31, 2016	Cost	Accumulated amortization	Net book value
Land	\$ 1,126	\$ -	\$ 1,126
Building and building improvements	931,625	184,554	747,071
Equipment	417,268	341,826	75,442
Construction-in-progress	57,095	-	57,095
	<u>\$ 1,407,114</u>	<u>\$ 526,380</u>	<u>\$ 880,734</u>

Included in capital assets are assets under capital leases at a cost of \$28,602 (2016 - \$36,123) and accumulated amortization of \$13,611 (2016 - \$14,951).

Included in equipment are assets not yet being amortized at a cost of \$4,959 (2016 - \$nil).

Capital assets with a cost of \$25,969 (2016 - \$30,272) were disposed of in fiscal 2017 at a net loss of \$1,837 (2016 - \$4,438) which is included in other expenses in the statement of operations.

Construction-in-progress consists primarily of the McMaster University Medical Centre/McMaster Children's Hospital Redevelopment project.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

6. Bank indebtedness:

As at March 31, 2017, the Hospital has available a \$75,000 (2016 - \$75,000) unsecured demand operating line of credit, of which \$27,201 (2016 - \$20,099) was drawn. This operating line of credit bears interest at the prime rate less 0.80%. As at March 31, 2017, the bank's prime interest rate is 2.70% (2016 - 2.70%).

As at March 31, 2017, the Hospital had a short-term bridging facility of \$61,000 (2016 - \$75,000) at rates ranging from 0.920% to 0.960%, which was repaid in April 2017 through funding received from the LHIN.

As at March 31, 2017, the Hospital remained compliant with its lending covenants.

7. Lease commitments:

The Hospital has entered into various arrangements for the leasing of administrative office space, cloud-based services, and computer and medical equipment. The weighted average effective interest rate of the capital leases is 2.75% (2016 - 2.82%).

The future minimum annual payments under capital and operating leases consist of the following:

	Capital leases	Operating leases
2018	\$ 4,524	\$ 2,806
2019	2,798	2,621
2020	1,372	2,508
2021	34	2,506
2022	-	1,828
Thereafter	-	14,369
Total minimum lease payments	8,728	26,638
Less: amounts representing interest	262	
Obligations under capital leases	8,466	
Less current portion	4,351	
	\$ 4,115	

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

8. Long-term debt:

	2017	2016
Capital loan payable by August 1, 2025 in monthly principal and interest instalments of \$58 at 4.65% per annum (a)	\$ 4,812	\$ 5,269
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$397 at 5.255% per annum (b)	14,321	15,118
Capital loan payable by September 17, 2029 in quarterly principal and interest instalments of \$150 at 4.33% per annum (c)	5,222	5,493
Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of \$586 at 5.255% per annum (d)	21,165	22,339
Development charges payable by July 23, 2018 to the City of Hamilton in interest-free annual instalments of \$137 (e)	273	410
Medical equipment charges payable by December 30, 2016 in interest-free quarterly instalments of \$26 (f)	-	75
Capital loan payable by October 15, 2019 in monthly principal and interest instalments of \$261 at 1.42% (g)	7,951	10,911
	53,744	59,615
Less: current portion	6,021	5,870
	\$ 47,723	\$ 53,745

- a) On July 15, 2005, the Hospital entered into a \$9,000, 20-year financing arrangement for the purpose of financing the construction, acquisition and development costs of parking equipment and improvements of the parking facilities at the Hamilton General Hospital ("General") and Juravinski Hospital ("Juravinski") sites. On a monthly basis, the Hospital is required to deposit the net profit, as defined, from the parking operations of the General and Juravinski sites into a net profit account held at the bank. At all times, the Hospital must maintain a minimum balance in the net profit account equal to the greater of \$400 or the total of the next scheduled payment of principal and interest. At March 31, 2017, the balance in the net profit account is greater than the minimum required balance and is included in restricted cash and cash equivalents on the statement of financial position.

As security, the bank has a first ranking specific assignment of all rights, title and interest in and to all net profit and any other revenue and income arising from the General and Juravinski parking improvements from time to time but expressly excluding payments for monthly parking permits of employees of the Hospital; and a first ranking security agreement in respect of the net profit account. Under the terms of the financing agreement, the Hospital is required to comply with certain loan covenants and at year-end the Hospital was in compliance with these covenants.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

8. Long-term debt (continued):

- The Hospital has in place an interest rate swap agreement (“Swap Agreement”), which will expire on August 1, 2025, that fixes the interest rate at 4.65%, plus stamping fees of 0.45%. The fair value of the Swap Agreement is based on amounts quoted by the Hospital’s bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at March 31, 2017. The fair value of the Swap Agreement at March 31, 2017 is (\$668) (2016 – (\$930)).
- b) On September 26, 2007, the Hospital entered into a \$19,500, 20-year financing arrangement for the purpose of financing construction costs related to energy retrofit contracts at the Chedoke, Juravinski, and General sites. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2017 is (\$3,312) (2016 – (\$4,190)).
 - c) On January 22, 2009, the Hospital entered into a \$6,900, 20-year financing arrangement for the purpose of financing the related construction costs for the central utility plant upgrade at the Juravinski site. The Hospital has a Swap Agreement in place that fixes the interest rate at 4.33%, plus stamping fees of 1.80%. The fair value of the Swap Agreement at March 31, 2017 is (\$899) (2016 – (\$1,172)).
 - d) On September 26, 2007, the Hospital entered into an amended \$25,000 financing agreement for the purpose of financing construction costs related to energy retrofit contracts at the McMaster Hospital site. In fiscal 2011, an additional \$3,000 was drawn on the facility and the energy enhancement interim construction loan was then converted into a 20-year term loan. The Hospital has a Swap Agreement in place that fixes the interest rate at 5.255%, plus stamping fees of 0.25%. The fair value of the Swap Agreement at March 31, 2017 is (\$4,892) (2016 – (\$6,189)).
 - e) On October 20, 2011, the Hospital entered into a \$1,367, seven-year interest free financial arrangement with the City of Hamilton for development charges incurred as a result of increased services required from the development of the David Braley Cardiac, Vascular and Stroke Research Institute, Juravinski and General sites.
 - f) On April 1, 2012, the Hospital entered into a \$498, five-year interest free payment plan arrangement with a vendor for medical equipment. This loan was repaid in December 2016.
 - g) On October 31, 2014, the Hospital entered into a \$15,000, five-year financing agreement for the purpose of financing capital acquisitions. The Hospital has a Swap Agreement in place that fixes the interest rate at 1.42%, plus stamping fee of 0.25%. The fair value of the Swap Agreement at March 31, 2017 is (\$39) (2016 – (\$117)).

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

8. Long-term debt (continued):

The future minimum annual debt principal repayments over the next five years and thereafter are as follows:

2018	\$	6,021
2019		6,243
2020		5,014
2021		3,353
2022		3,540
2023 and thereafter		29,573
	\$	53,744

9. Employee future benefit plans:

(a) Multi-employer plan:

The Hospital's contributions to HOOPP during the year amounted to \$53,731 (2016 - \$51,707) and are included in salaries and employee benefits expense. The most recent actuarial valuation of HOOPP as at December 31, 2016 indicates the plan has a 22% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

(b) Post-retirement benefit obligations:

The Hospital's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from the Hospital and are between the ages of 55 and 65. The post-retirement benefit obligations are calculated based on the latest actuarial valuation performed on March 31, 2016, extrapolated to March 31, 2017.

The sick leave benefit plan for employees was previously amended such that the future accumulation of sick leave credits was discontinued; however, employees are entitled to cash payments on a portion of their accumulated sick bank entitlements on termination of employment. As at March 31, 2017, the sick leave obligation amounted to \$3,879 (2016 - \$4,473).

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

9. Employee future benefit plans (continued):

(b) Post-retirement benefit obligations (continued):

The post-retirement benefit obligations as at March 31 include the following components:

	2017	2016
Accrued benefit obligation	\$ 62,272	\$ 62,770
Unamortized actuarial losses	(1,383)	(1,903)
Post-retirement benefit liability	\$ 60,889	\$ 60,867

	2017	2016
Post-retirement benefit liability, beginning of year	\$ 60,867	\$ 58,579
Current service cost	2,551	2,921
Past service cost	(903)	-
Interest cost	2,032	1,957
Amortization of actuarial losses	129	421
	64,676	63,878
Non-pension post-retirement funding contributions	(3,787)	(3,011)
Post-retirement benefit liability, end of year	\$ 60,889	\$ 60,867

The significant actuarial assumptions utilized in measuring the Hospital's accrued benefit obligations for the non-pension post-retirement benefit plans are as follows:

	2017	2016
Discount rate	3.30%	3.25%
Expected annual increase in dental care costs	3.00%	3.00%
Expected annual increase in health care costs*	6.25%	6.25%

*The current rate is 6.25%. The rate is presumed to decline by 0.25% per annum to an ultimate rate of 4.50%.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 657,411	\$ 590,417
Add contributions for capital purposes:		
Ministry of Health & Long-Term Care ("MOHLTC") & LHIN	21,320	82,405
Foundations and Volunteer Association	5,535	11,122
Other	5,803	10,309
	690,069	694,253
Less: Amortization	35,273	31,754
Disposals of related capital assets	1,852	5,088
Balance, end of year	\$ 652,944	\$ 657,411

Included in the above balance are contributions of \$9,169 (2016 - \$11,946) received but not yet utilized to purchase capital assets. Amortization is comprised of \$33,560 (2016 - \$29,775) from hospital operations and \$1,713 (2016 - \$1,979) from research operations.

11. Deferred research contributions:

Deferred research contributions represent unspent externally restricted grants for research. The changes in the deferred research contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 124,885	\$ 99,350
Externally restricted contributions received	70,240	118,331
Less: amount recognized as revenue during the year	(95,940)	(93,608)
Net change in fair value on invested unspent deferred research balances	(1,976)	812
Balance, end of year	\$ 97,209	\$ 124,885

HAMILTON HEALTH SCIENCES CORPORATION

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Year ended March 31, 2017

11. Deferred research contributions (continued):

Research revenues and expenses are calculated as follows:

	2017	2016
Research revenues:		
Investment income	\$ 6,445	\$ 5,038
Amortization of deferred capital contributions	1,713	1,979
Other research revenues	152,232	121,898
	<u>\$ 160,390</u>	<u>\$ 128,915</u>
Research expenses:		
Salaries and employee benefits	\$ 44,582	\$ 41,374
Medical staff remuneration	1,781	2,101
Medical and surgical supplies	3	14
Drugs	1,132	717
Facilities	477	320
Amortization of capital assets	3,811	3,944
Other research expenses	82,509	76,275
	<u>\$ 134,295</u>	<u>\$ 124,745</u>

Other research revenues of \$152,232 (2016 - \$121,898) consist of externally restricted research grants and donations recognized in income during the year of \$95,940 (2016 - \$93,608) and \$56,292 (2016 - \$28,290) from research administered accounts, internally restricted by the Hospital's Board of Directors.

12. Net assets invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2017	2016
Capital assets – net	\$ 872,480	\$ 880,734
Less amounts funded by:		
Deferred capital contributions spent (note 10)	(643,775)	(645,465)
Obligations under capital leases (note 7)	(8,466)	(15,177)
Long-term debt (note 8)	(53,744)	(59,615)
	<u>\$ 166,495</u>	<u>\$ 160,477</u>

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

12. Net assets invested in capital assets (continued):

(b) Net change in invested in capital assets is calculated as follows:

	2017	2016
Purchase of capital assets - net	\$ 49,806	\$ 108,299
Amounts funded by deferred capital contributions	(33,583)	(105,736)
Amortization of capital assets	(58,060)	(56,638)
Amortization of deferred capital contributions	35,273	31,754
Decrease in obligations under capital leases	6,711	9,463
Decrease in long-term debt	5,871	6,050
	\$ 6,018	\$ (6,808)

13. Statement of cash flows:

The net change in non-cash working capital balances related to operations consists of the following:

	2017	2016
Accounts receivable	\$ (6,689)	\$ (10,856)
Inventories	79	(874)
Prepaid expenses and deposits	(1,879)	55
Accounts payable and accrued liabilities	40,637	(3,046)
Deferred revenue	(520)	(6,478)
	\$ 31,628	\$ (21,199)

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

14. Commitments and contingencies:

- a) The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims as at March 31, 2017, it is management's position that the Hospital has valid defenses and appropriate insurance coverage in place, such that there would be no material effect on the financial statements as a result of these claims. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
- b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. All members of the pool pay premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No losses have been assessed as at March 31, 2017.
- c) The Hospital has initiated various construction and renovation projects. A major initiative includes the McMaster University Medical Centre/McMaster Children's Hospital Redevelopment, which facilitates key principles of patient and family centred care. This project consists of two distinct phases. Phase One, which includes a Child and Adolescent Mental Health Unit and the expansion of Pediatric Ambulatory, reached substantial completion in August 2010. Currently, the Hospital is in Phase Two of the project, which includes the development of a stand-alone Pediatric Intensive Care Unit, Pediatric Emergency Department and Ambulatory Surgical Service improvements. Completion of the project is expected in May 2017.
- d) The Hospital has committed to an infrastructure upgrade project at the West Lincoln Memorial Hospital ("WLMH") site. Costs are projected to be \$5,437 with a maximum grant of \$4,959. The project is anticipated to commence in August 2017 pending MOHLTC approval.
- e) The hospital has entered into an agreement to purchase land for \$1,400 as part of the Our Healthy Future strategic initiative to ensure future sustainability of health services in the community.
- f) The total capital expenditure commitments for the projects described in (c) through (e) above and other minor projects outstanding as at March 31, 2017 are estimated to be \$29,195 (2016 - \$20,308).
- g) As at March 31, 2017, the Hospital has outstanding letters of credit of \$25 (2016 - \$25) related to various construction and renovation projects.
- h) The Hospital is in the process of developing pay equity plans with certain employee groups. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in the financial statements.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

15. Related party transactions:

- a) The Foundation is an independent organization that raises funds and holds resources solely for the benefit of the Hospital. The Foundation is incorporated without share capital under the laws of the Province of Ontario and is a charitable organization registered under the Income Tax Act. The Hospital is considered to be affiliated with the Foundation due to common directors on the boards. All amounts received from the Foundation are restricted in use by the Foundation and accordingly are accounted for by the Hospital as externally restricted contributions. The Foundation contributed \$4,706 during fiscal 2017 (2016 - \$10,713) for capital and \$1,005 (2016 - \$1,075) for research. Included in the Hospital's assets as at March 31, 2017 is \$2,583 (2016 - \$1,380) in accounts receivable from the Foundation.
- b) The Volunteer Association is an independent organization that raises funds and holds resources for the benefit of the Hospital. In November 2011, the Hospital entered into a ten-year lease agreement with the Volunteer Association to manage the Hospital's parking operations. The Volunteer Association pays rent in-kind to the Hospital as an annual irrevocable gift, which is restricted for capital projects. All amounts received from the Volunteer Association are restricted and accordingly are accounted for as externally restricted contributions. The Volunteer Association contributed \$13,087 (2016 - \$12,856) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2017 is \$2,184 (2016 - \$2,784) in accounts receivable from the Volunteer Association.
- c) HHSRI solicits, receives, manages and distributes funds in respect of the advancement of health science research and education and the improvement of patient care in support of legislated and strategic priorities of the Hospital. HHSRI is a corporation without share capital under the laws of Canada and is a registered charity under the Income Tax Act. The Hospital is considered to be affiliated with and has significant influence over HHSRI as the Chief Executive Officer ("CEO") of the Hospital is also the CEO and a board member of HHSRI. The Hospital provides executive management, finance and administrative services to HHSRI under a Management Services Agreement. During fiscal 2017, HHSRI paid the Hospital \$374 (2016 - \$366) for services under the Management Services Agreement and HHSRI contributed \$8,826 (2016 - \$7,649) to the Hospital for research. Included in the Hospital's assets at March 31, 2017 is \$1,395 (2016 - \$2,107) in accounts receivable from HHSRI. During fiscal 2017, the Hospital authorized a designated gift of \$23,871 to HHSRI. As of March 31, 2017 the balance was recorded in accounts payable and accrued liabilities.
- d) The WLMH Foundation and the Auxiliary are both independent organizations. The WLMH Foundation receives and maintains funds for charitable purposes which it donates to the Hospital for the use of operations, renovations, maintenance and equipment. The Auxiliary raises money to assist the Hospital in the acquisition of medical equipment and to assist the programs. The WLMH Foundation contributed \$270 (2016 - \$290) during the year for capital and non-capital expenses. The Auxiliary contributed \$136 (2016 - \$274) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2017 is \$64 (2016 - \$253) in accounts receivable from the WLMH Foundation and \$nil (2016 - \$1) from the Auxiliary.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

15. Related party transactions (continued):

- e) BAHT is a for-profit commercial entity dedicated to developing business opportunities harnessing private sector experience, energy and entrepreneurship to benefit the community by supporting profitable business development in the health-care sector. The beneficiaries of BAHT are the Hospital, the Foundation and McMaster University. Transactions with BAHT are considered to be in the normal course of operations and are recorded at the exchange amount.

Included in the Hospital's assets as at March 31, 2017 is \$2,110 (2016 - \$1,645) in accounts receivable of which \$1,493 (2016 - \$1,322) is interest bearing at a rate of prime less 0.20%. Included in the Hospital's accounts payable is \$226 (2016 - \$101). In the current year, the Hospital earned investment income of \$38 (2016 - \$20) and paid \$8,694 (2016 - \$8,777) of non-salary expenses to BAHT. The Hospital has guaranteed a portion of BAHT's financing and as at December 31, 2016, \$45,370 (December 31, 2015 - \$47,606) was outstanding.

The Hospital has an operating lease agreement with BAHT, which includes the management of three cogeneration facilities, each located at Hospital sites. The agreement states the Hospital is responsible for all variable costs required to operate and maintain the equipment of each facility.

16. Financial instruments and risk management:

- (a) Financial instruments:

The Hospital's financial instruments consist of restricted cash and cash equivalents, short-term investments, portfolio investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under capital leases and derivatives.

- (b) Fair value measurement:

The following table illustrates the classification of the Hospital's financial instruments, including derivative financial instruments, measured at fair value on a recurring basis within the fair value hierarchy:

2017	Level 1	Level 2	Level 3	Total
Bank indebtedness	\$ (88,201)	\$ -	\$ -	\$ (88,201)
Restricted cash and cash equivalents	51,757	-	-	51,757
Short-term investments	13,574	-	-	13,574
Portfolio investments	103,104	-	-	103,104
Derivative liability	-	(9,810)	-	(9,810)
	\$ 80,234	\$ (9,810)	\$ -	\$ 70,424

16. Financial instruments and risk management (continued):

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

(b) Fair value measurement (continued):

2016	Level 1	Level 2	Level 3	Total
Bank indebtedness	\$ (95,099)	\$ -	\$ -	\$ (95,099)
Restricted cash and cash equivalents	68,603	-	-	68,603
Short-term investments	3,600	-	-	3,600
Portfolio investments	98,107	-	-	98,107
Derivative liability	-	(12,598)	-	(12,598)
	\$ 75,211	\$ (12,598)	\$ -	\$ 62,613

(c) Risk management:

The Hospital is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. The Hospital's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance. The Hospital is exposed to market risk with regards to its short-term investments, portfolio investments and floating rate debt, which are regularly monitored.

(i) Market risk:

The Hospital is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Hospital is exposed are interest rate, currency and other price risks.

(a) Interest rate risk:

Interest rate risk is the risk the fair value of the future cash flows of a financial instrument fluctuates because of changes in market interest rates. The Hospital is exposed to interest rate risk on its investments and long-term debt. Of these risks, the Hospital's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and excess interest cost. The Hospital has effectively fixed its interest rate on the majority of its long-term debt by entering into various interest rate swaps.

The Hospital currently employs interest rate swaps to convert its variable interest rate on \$53,471 of its floating rate loan facilities to a fixed interest rate (note 8). Interest rate swaps are employed in order to reduce variability in future interest cash flows. The swaps are measured at fair value until the swap is settled and the change in fair value is recorded in the statement of remeasurement gains and losses.

16. Financial instruments and risk management (continued):

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

(c) Risk management (continued):

(b) Currency risk:

Currency risk is the risk changes in market prices, such as foreign currency exchange rates and interest rates will affect the Hospital's future cash flows or the fair value of its financial instruments. The Hospital's exposure to foreign currency exchange risk is on the restricted cash and cash equivalents and investment portfolio, which includes cash and securities denominated in US dollars and euros. As at March 31, 2017, the total amount of cash and securities denominated in a foreign currency was \$44,232 (2016 - \$41,605).

The Hospital's estimate of the effect on net assets as at March 31, 2017 due to a 1.0% increase or decrease in the exchange rates, with all other variables held constant, would approximately amount to an increase or decrease of \$442 (2016 - \$416).

(c) Other price risk:

Other price risk refers to the risk the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from risks noted above). The Hospital is exposed to price risk through its portfolio investments.

As at March 31, 2017, the Hospital's total exposure to other price risk is \$103,104 (2016 - \$98,107). The Hospital's estimate on the effect of net assets as at March 31, 2017 due to a 1.0% increase or decrease in the fair value of long-term investments, with all other variables held constant, would approximately amount to an increase or decrease of \$1,031 (2016 - \$981). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(d) Sensitivity analysis:

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

16. Financial instruments and risk management (continued):

(c) Risk management (continued):

(ii) Credit risk:

The Hospital is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. The risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services provided.

As at March 31, 2017, the following accounts receivable were past due but not impaired:

	30 days	60 days	90 days	Over 120 days
Accounts receivable	\$ 9,831	\$ 4,842	\$ 1,651	\$ 4,604

The Hospital is also exposed to credit risk through its portfolio investments in high quality bonds and equity securities and loans receivable. Management considers the credit risk to be low as the Hospital only places its investments with reputable and financially stable organizations and the portfolio is monitored by the Investment Committee.

(iii) Liquidity risk:

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with financial liabilities as they come due. The Hospital monitors its operations and cash flows to ensure the current and future obligations will be met. In order to satisfy its known short and long-term cash obligations, the Hospital entered into an agreement for working capital relief funding from the LHIN to receive a maximum of \$80,000 in new funding over the next 10 years. This funding will be used to assist the hospital to address its adjusted working funds deficit. The terms and conditions require the Hospital to first use the funding to permanently reduce the annual cash advance. Without access to these additional funding arrangements, the Hospital would need to maintain its cash advance from the LHIN in order to continue to meet its obligations.

HAMILTON HEALTH SCIENCES CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

16. Financial instruments and risk management (continued):

(c) Risk management (continued):

(iii) Liquidity risk (continued):

The table below is a maturity analysis of the Hospital's financial liabilities:

	Up to 6 months	More than 6 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Bank indebtedness	\$ 88,201	\$ -	\$ -	\$ -	\$ 88,201
Accounts payable and accrued liabilities	164,048	-	-	-	164,048
Obligations under capital leases	2,342	2,009	4,115	-	8,466
Long-term debt	3,053	2,968	18,200	29,523	53,744
Other long-term liability	-	-	1,423	2,757	4,180
Derivative liability	-	-	39	9,771	9,810
	\$ 257,644	\$ 4,977	\$ 23,777	\$ 42,051	\$ 328,449

17. Funding agreements:

The Hospital entered into funding agreements with various parties which require the disclosure of the revenues and expenditures for the respective program as follows:

a) Clinical Education Program:

During the year, the Clinical Education Program incurred expenses of \$75,117 (2016 - \$74,322) and received \$77,706 (2016 - \$75,645) from the MOHLTC. As applicable, the surplus in funding is owed to the MOHLTC, and, as such, a payable of \$2,589 (2016 - \$1,323) has been included in accounts payable and accrued liabilities.

HAMILTON HEALTH SCIENCES CORPORATION

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17. Funding agreements (continued):

b) Diabetes Education Program:

During the year, the Diabetes Education Program incurred expenses of \$876 (2016 - \$931) and received \$874 (2016 - \$874) from the LHIN.

	2017	2016
Revenue	\$ 874	\$ 874
Expenses		
Salaries and benefits	869	916
General operating expenditures	7	14
Travel/transportation	-	1
Total expenses	\$ 876	\$ 931

c) Emergency Department Physician Program:

During the year, the Emergency Department Physician Program at the WLMH site incurred expenses of \$1,862 (2016 - \$1,890) and received \$1,862 (2016 - \$1,890) in funding.

	2017	2016
Revenues:		
Physician:		
MOHLTC	\$ 1,348	\$ 1,354
APP premium payments	466	464
Medical trainee programs	3	3
Mentorship program	-	27
OHIP and 3 rd party	45	42
	\$ 1,862	\$ 1,890

HAMILTON HEALTH SCIENCES CORPORATION

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Year ended March 31, 2017

17. Funding agreements (continued):

c) Emergency Department Physician Program (continued):

	2017	2016
Expenses:		
Physician:		
Participating physicians' services	\$ 1,323	\$ 1,344
APP premium payments	466	464
Non-participating physicians' services	40	35
Mentorship program	3	18
	<hr/> 1,832	<hr/> 1,861
Administration:		
Medical director	3	6
Billing administration	27	23
	<hr/> 30	<hr/> 29
	<hr/> \$ 1,862	<hr/> \$ 1,890

18. Comparative balances:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.