

North York General Hospital

Financial Statements
March 31, 2018



June 5, 2018

Independent Auditor's Report

To the Members of North York General Hospital

We have audited the accompanying financial statements of North York General Hospital, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise 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.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North York General Hospital as at March 31, 2018 and the results of its operations, its remeasurement gains and losses, change in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

North York General Hospital


Statement of Financial Position

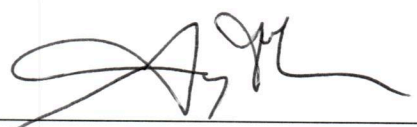
As at March 31, 2018

(in thousands of dollars)

| | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 74,885 | 41,085 |
| Accounts receivable and prepaid expenses (note 4) | 23,034 | 23,510 |
| Inventories | 2,459 | 2,513 |
| | <u>100,378</u> | <u>67,108</u> |
| Capital assets (note 5) | 164,777 | 159,669 |
| Other long-term asset | 4,094 | 3,202 |
| Long-term investments (note 6) | 5,853 | 28,642 |
| | <u>275,102</u> | <u>258,621</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 56,144 | 48,517 |
| Deferred revenue (note 9) | 9,469 | 8,956 |
| Long-term debt (note 7) | 747 | 703 |
| | <u>66,360</u> | <u>58,176</u> |
| Long-term debt (note 7) | 9,410 | 10,157 |
| Derivative liabilities (note 7) | 2,204 | 3,084 |
| Employee future benefits (note 10) | 10,713 | 10,346 |
| Deferred capital contributions (note 8) | 117,767 | 111,772 |
| Other long-term liability | 4,239 | 3,712 |
| | <u>210,693</u> | <u>197,247</u> |
| Net Assets | | |
| Invested in capital assets (note 3) | 55,359 | 50,996 |
| Unrestricted | 11,279 | 13,978 |
| Accumulated remeasurement losses | (2,229) | (3,600) |
| | <u>64,409</u> | <u>61,374</u> |
| | <u>275,102</u> | <u>258,621</u> |
| Commitments and contingencies (note 15) | | |

Approved by the Board


Carmen Rossiter Treasurer


Chairman

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

North York General Hospital

Statement of Operations

For the year ended March 31, 2018

(in thousands of dollars)

| | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| Revenue | | |
| Ministry of Health and Long-Term Care and Local Health Integration Network | 310,758 | 300,893 |
| Patient services | 39,158 | 39,126 |
| Ancillary operations | 33,241 | 35,124 |
| Amortization of deferred capital contributions - equipment and software | 2,823 | 3,252 |
| | <u>385,980</u> | <u>378,395</u> |
| Expenses | | |
| Salaries and wages | 174,470 | 171,870 |
| Employee benefits (note 10) | 51,744 | 51,499 |
| Medical staff | 38,832 | 38,567 |
| Building and equipment maintenance | 28,549 | 23,803 |
| Drugs | 20,788 | 21,518 |
| Medical and surgical supplies | 18,915 | 18,509 |
| Other supplies and expenses | 41,404 | 41,952 |
| Amortization of equipment and software | 7,346 | 7,876 |
| | <u>382,048</u> | <u>375,594</u> |
| Excess of revenue over expenses before the undernoted | <u>3,932</u> | <u>2,801</u> |
| Amortization of deferred capital contributions - building and parking facilities | 4,067 | 3,496 |
| Amortization of building and parking facilities | <u>(6,335)</u> | <u>(5,764)</u> |
| | <u>(2,268)</u> | <u>(2,268)</u> |
| Excess of revenue over expenses for the year | <u>1,664</u> | <u>533</u> |

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

North York General Hospital

Statement of Changes in Net Assets

For the year ended March 31, 2018

(in thousands of dollars)

| | | | 2018 | 2017 |
|---|--|--------------------|---------------|---------------|
| | Invested in capital assets \$ (note 3) | Unrestricted \$ | Total \$ | Total \$ |
| Balance - Beginning of year | 50,996 | 13,978 | 64,974 | 64,441 |
| Excess of revenue over expenses (expenses over revenue) for the year | (6,791) | 8,455 | 1,664 | 533 |
| Invested in capital assets (note 3) | 11,154 | (11,154) | - | - |
| Balance - End of year | <u>55,359</u> | <u>11,279</u> | <u>66,638</u> | <u>64,974</u> |

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

North York General Hospital
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2018

(in thousands of dollars)

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Accumulated remeasurement losses - Beginning of year | (3,600) | (4,272) |
| Unrealized gains (losses) attributable to | | |
| Change in fair value | | |
| Derivatives | 881 | 801 |
| Investments | (601) | (129) |
| Amounts reclassified to the statement of operations | | |
| Loss on sale of long-term investments | 1,091 | - |
| Net remeasurement gains for the year | 1,371 | 672 |
| Accumulated remeasurement losses - End of year | (2,229) | (3,600) |

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

North York General Hospital

Statement of Cash Flows

For the year ended March 31, 2018

(in thousands of dollars)

| | 2018 \$ | 2017 \$ |
|---|---------------|----------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | 1,664 | 533 |
| Items not affecting cash | | |
| Amortization of equipment and software | 7,346 | 7,876 |
| Amortization of building and parking facilities | 6,335 | 5,764 |
| Amortization of deferred capital contributions of equipment and software | (2,823) | (3,252) |
| Amortization of deferred capital contributions of building and parking facilities | (4,067) | (3,496) |
| Employee future benefits expense | 367 | 345 |
| Loss on sale of investments | 1,091 | - |
| Changes in non-cash components of working capital (note 11) | 8,305 | (4,327) |
| | <u>18,218</u> | <u>3,443</u> |
| Financing activities | | |
| Capital contributions received | | |
| Ontario Ministry of Health and Long-Term Care | 5,362 | 6,381 |
| North York General Hospital Foundation and other | 7,523 | 3,830 |
| Repayment of long-term debt | (703) | (661) |
| | <u>12,182</u> | <u>9,550</u> |
| Investing activities | | |
| Purchase of investments | (697) | (700) |
| Proceeds from sale of investments | 22,886 | - |
| | <u>22,189</u> | <u>(700)</u> |
| Capital activities | | |
| Purchase of capital assets | (18,789) | (19,748) |
| Increase (decrease) in cash and cash equivalents during the year | <u>33,800</u> | <u>(7,455)</u> |
| Cash and cash equivalents - Beginning of year | <u>41,085</u> | <u>48,540</u> |
| Cash and cash equivalents - End of year | <u>74,885</u> | <u>41,085</u> |
| Supplementary information | | |
| Interest paid | 680 | 725 |

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

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

1 Operations

North York General Hospital (the Hospital), including the IODE Children's Centre, is a three-site community teaching hospital, affiliated with the University of Toronto. The Hospital provides acute care, ambulatory and long-term care services to the community in north central Toronto and southern York Region.

The Hospital was incorporated in 1962, without share capital, under Part III of the Ontario Corporations Act. The Hospital is a registered charity as defined in the Income Tax Act (Canada) and, as such, is exempt from corporate income taxes.

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of the North York General Hospital Foundation (the Foundation) or the activities of the North York General Hospital Volunteer Services.

2 Summary of significant accounting policies

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

Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ontario Ministry of Health and Long-Term Care (MOHLTC)/Central Local Health Integration Network (CLHIN). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. These financial statements reflect management's best estimates of funding arrangements with the MOHLTC and the CLHIN. The Hospital has entered into an accountability agreement with the CLHIN, which requires the Hospital to meet certain financial and non-financial performance indicators.

All investment income is unrestricted and recognized as revenue when earned.

Amortization of building and parking facilities is not fully funded by the MOHLTC and accordingly the amortization of building and parking facilities has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred donations and grants.

Contributions received in the form of donations and grants for specific capital expenditures are initially deferred and recorded as deferred capital contributions. These deferred contributions are recognized in revenue on the same basis as the amortization of the cost of the related capital assets.

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

Employee benefit plans

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, best five years average earnings and contributory pension plan; employees are entitled to certain post-employment benefits. Contributions made to HOOPP are expensed as funded, as the plan is accounted for as a defined contribution plan.

The Hospital provides certain health-care, dental, life insurance and other benefits for certain retired employees. The cost of post-employment 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 rate of return on provincial government bonds with an additional risk premium specific to the Hospital for varying durations based on cash flows expected from employee future benefit obligations. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past-service costs relating to plan amendments are expensed when incurred.

Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a term to maturity of three months or less from the date of purchase. Included in cash and cash equivalents is restricted cash of \$18,506 (2017 - \$13,959) pertaining to unspent capital contributions and \$9,469 (2017 - \$8,956) pertaining to deferred revenue.

Inventories

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and replacement cost. Outpatient pharmacy inventories, which are sold at prices that reflect fair value, are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are stated at cost, less accumulated amortization.

Contributed capital assets are recorded at fair value at the date of acquisition. Expenditures for new facilities, or expenditures that substantially increase the useful lives of existing capital assets, are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. When capital assets no longer contribute to the Hospital's ability to provide services, their carrying amounts are written down to their residual value.

Amortization is provided for by the straight-line method over the estimated useful lives of the assets at rates as follows:

| | |
|--------------------|--------------|
| Parking facilities | 4% - 10% |
| Buildings | 2-1/2% - 20% |
| Equipment | 5% - 20% |
| Software | 33-1/3% |

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

Projects-in-progress comprise direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for use.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related financial statement notes.

Related parties and joint ventures

The investment in joint ventures is accounted for using the modified equity method. All other related parties are disclosed.

Financial instruments

The Hospital's financial instruments consist of cash and cash equivalents, long-term investments, accounts receivable, accounts payable and accrued liabilities, long-term debt and derivative liabilities.

The Hospital's financial instruments are measured as follows:

| Assets/liabilities | Measurement category |
|--|-----------------------------|
| Cash and cash equivalents | fair value |
| Long-term investments | fair value |
| Accounts receivable | amortized cost |
| Other long-term assets | amortized cost |
| Accounts payable and accrued liabilities | amortized cost |
| Long-term debt | amortized cost |
| Derivative liabilities | fair value |

Derivatives

Interest rate swap agreements are used as part of the Hospital's program to manage the fixed and floating interest rate mix of the Hospital's total debt portfolio and related overall cost of borrowing. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense.

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

- Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Long-term investments were measured as Level 1 financial instruments and the derivatives were measured as Level 2 financial instruments.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. On settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. Transaction costs on assets measured at fair value are expensed as incurred.

All financial assets, except derivatives and long-term investments, are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A writedown of a long-term investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include collectibility of accounts receivable, accrued liabilities, deferred revenue and employee future benefits.

The revenue recognized from the MOHLTC and the CLHIN requires some estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the MOHLTC and the CLHIN for the year ended March 31, 2018. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the MOHLTC and the CLHIN have the right to adjust funding received by the Hospital. Neither the MOHLTC nor the CLHIN are required to communicate certain funding adjustments until after submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOHLTC and CLHIN funding received during a year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

3 Invested in capital assets

| | 2018 \$ | 2017 \$ |
|---|---------------|---------------|
| Capital assets | 164,777 | 159,669 |
| Long-term debt | (10,157) | (10,860) |
| Deferred capital contributions expended | (99,261) | (97,813) |
| | <u>55,359</u> | <u>50,996</u> |

The change in net assets invested in capital assets is determined as follows:

| | 2018 \$ | 2017 \$ |
|--|----------------|----------------|
| Excess of revenue over expenses | | |
| Amortization of deferred capital contributions | | |
| Equipment and software | 2,823 | 3,252 |
| Building and parking facilities | 4,067 | 3,496 |
| | <u>6,890</u> | <u>6,748</u> |
| Amortization of capital assets | | |
| Equipment and software | 7,346 | 7,876 |
| Building and parking facilities | 6,335 | 5,764 |
| | <u>13,681</u> | <u>13,640</u> |
| Excess of expenses over revenue | <u>(6,791)</u> | <u>(6,892)</u> |
| Net change in invested in capital assets | | |
| Purchase of capital assets | 18,789 | 19,748 |
| Increase in deferred capital contributions | (8,338) | (25,123) |
| Decrease in long-term debt | 703 | 661 |
| | <u>11,154</u> | <u>(4,714)</u> |

4 Accounts receivable and prepaid expenses

| | 2018 \$ | 2017 \$ |
|--|---------------|---------------|
| MOHLTC | 5,384 | 5,844 |
| Patient receivables | 6,771 | 6,807 |
| Cancer Care Ontario | 784 | 596 |
| North York General Hospital Foundation | 217 | 1,460 |
| Other | 4,433 | 3,327 |
| Prepaid expenses | 6,029 | 6,029 |
| | <u>23,618</u> | <u>24,063</u> |
| Less: Allowance for doubtful accounts | 584 | 553 |
| | <u>23,034</u> | <u>23,510</u> |

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

5 Capital assets

| | 2018 | | |
|----------------------|-------------|---------------------|------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 541 | - | 541 |
| Parking facilities | 26,645 | 13,613 | 13,032 |
| Buildings | 219,838 | 111,013 | 108,825 |
| Equipment | 172,056 | 148,330 | 23,726 |
| Software | 35,758 | 31,696 | 4,062 |
| | <hr/> | | |
| | 454,838 | 304,652 | 150,186 |
| Projects-in-progress | 14,591 | - | 14,591 |
| | <hr/> | | |
| | 469,429 | 304,652 | 164,777 |
| | <hr/> | | |
| | 2017 | | |
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 541 | - | 541 |
| Parking facilities | 26,146 | 12,623 | 13,523 |
| Buildings | 202,522 | 105,668 | 96,854 |
| Equipment | 163,497 | 142,513 | 20,984 |
| Software | 34,446 | 30,167 | 4,279 |
| | <hr/> | | |
| | 427,152 | 290,971 | 136,181 |
| Projects-in-progress | 23,488 | - | 23,488 |
| | <hr/> | | |
| | 450,640 | 290,971 | 159,669 |
| | <hr/> | | |

During the year, assets with a cost of \$nil (2017 - \$29) and accumulated amortization of \$nil (2017 - \$29) were disposed of.

The Hospital is one of eight hospitals named in the 2018 Ontario Budget, for which the Province has committed to support the construction of major projects.

6 Long-term investments

The Hospital has invested cash committed to be spent on future construction and capital projects, with an investment management firm. These investments are held in short-term bond pooled funds at a fair value of \$5,254 (2017 - \$28,125).

Also included in long-term investments is the Hospital's investment in two joint ventures of \$599 (2017 - \$517) (note 12).

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

7 Long-term debt

Long-term debt consists of the following:

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Term loan bearing interest at 6.38%, repayable in blended monthly payments of \$17, maturing April 2021 | 581 | 746 |
| Term loan, bearing interest at 5.97%, repayable in blended monthly payments of \$35, maturing October 2029 | 3,475 | 3,677 |
| Term loan, bearing interest at 6.22%, repayable in blended monthly payments of \$61, maturing February 2030 | 6,101 | 6,437 |
| | <hr/> | <hr/> |
| | 10,157 | 10,860 |
| Less: Current portion | 747 | 703 |
| | <hr/> | <hr/> |
| | 9,410 | 10,157 |
| | <hr/> | <hr/> |

Principal repayments of long-term debt are as follows:

| | \$ |
|------------|--------|
| 2019 | 747 |
| 2020 | 795 |
| 2021 | 846 |
| 2022 | 704 |
| 2023 | 730 |
| Thereafter | 6,335 |
| | <hr/> |
| | 10,157 |
| | <hr/> |

The Hospital fixed the interest rates on all of the term loans by entering into interest rate swap agreements. Interest swap contracts range from 5.97% to 6.38% and expire between fiscal 2022 and fiscal 2030.

The Hospital is required to maintain certain financial performance covenants under its agreement with lenders, in the area of debt service coverage rates and annual capital expenditure amounts. The Hospital is in compliance with these covenants.

The Hospital has available an unsecured operating facility with a Canadian chartered bank in the amount of \$12,000. As at March 31, 2018, the Hospital had \$86 in outstanding letters of credit drawn on this facility.

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

8 Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

| | 2018 \$ | 2017 \$ |
|-----------------------------|------------|------------|
| Balance - Beginning of year | 111,772 | 108,309 |
| Contributions received | 12,885 | 10,211 |
| Amortization | (6,890) | (6,748) |
| | <hr/> | <hr/> |
| Balance - End of year | 117,767 | 111,772 |

Included in the year-end balance is \$18,506 (2017 - \$13,959) in unspent donations and grants.

9 Deferred revenue

Deferred revenue represents the revenues collected but not earned as at March 31, 2018.

| | 2018 \$ | 2017 \$ |
|-----------------------------|------------|------------|
| Balance - Beginning of year | 8,956 | 6,443 |
| Revenue received | 7,867 | 9,025 |
| Revenue recognized | (7,354) | (6,512) |
| | <hr/> | <hr/> |
| Balance - End of year | 9,469 | 8,956 |

10 Employee benefit plans

Healthcare of Ontario Pension Plan

Contributions made to the plan during the year by the Hospital amounted to \$15,156 (2017 - \$15,049). These amounts are included in the employee benefits expense in the statement of operations. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies.

Other post-employment benefit plans

The Hospital offers various non-pension post-employment benefit plans to a number of its employees.

The Hospital is responsible for 50% to 75% of the cost of extended health-care, dental and semi-private accommodation and for 100% of the cost of group life insurance for some retirees.

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

Information about the Hospital's employee future benefits is as follows:

| | 2018 \$ | 2017 \$ |
|---|-----------------|-----------------|
| Accrued benefit obligation - Beginning of year | 11,228 | 11,036 |
| Current service cost | 492 | 481 |
| Interest cost | 377 | 365 |
| Actuarial gain | - | (75) |
| | <hr/> | <hr/> |
| Benefits paid | 12,097 (575) | 11,807 (579) |
| | <hr/> | <hr/> |
| Accrued benefit obligation - End of year | 11,522 | 11,228 |
| | <hr/> | <hr/> |
| Opening unamortized actuarial experience losses | (882) | (1,035) |
| Actuarial experience gains | - | 75 |
| Amortization | 73 | 78 |
| | <hr/> | <hr/> |
| Ending unamortized actuarial experience losses | (809) | (882) |
| | <hr/> | <hr/> |
| Accrued benefit liability | 10,713 | 10,346 |
| | <hr/> | <hr/> |

Employee contributions during the year were \$184 (2017 - \$215).

The most recent actuarial valuation of the obligation was performed as at March 31, 2016.

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

- a discount rate to determine the accrued benefit obligations of 3.3% (2017 - 3.3%);
- dental costs increasing by 3% (2017 - 3%) per annum; and
- extended health-care costs and semi-private hospital coverage of 5.75% (2017 - 6.25%), decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum in 2025 and thereafter.

11 Changes in non-cash components of working capital

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Accounts receivable and prepaid expenses | 476 | (2,208) |
| Inventories | 54 | 71 |
| Other long-term asset | (892) | (269) |
| Accounts payable and accrued liabilities | 7,627 | (4,938) |
| Deferred revenue | 513 | 2,513 |
| Other long-term liability | 527 | 504 |
| | <hr/> | <hr/> |
| | 8,305 | (4,327) |
| | <hr/> | <hr/> |

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

12 Related party transactions

The Foundation was established to raise funds to support the Hospital and its program and capital needs. 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 (Canada). The Hospital is considered to have significant influence over the Foundation due to common directors on the boards. The Foundation provided capital grants during 2018 of \$6,506 (2017 - \$2,624), which have been reflected as deferred capital contributions and also provided operational grants of \$1,414 (2017 - \$1,757), which have been recognized as revenue from ancillary operations. In addition, there is \$217 (2017 - \$208) receivable from the Foundation for reimbursement of costs incurred on its behalf.

The Hospital is party to a shareholders' agreement in relation to the Hospital's investment in Shared Hospital Laboratory Inc. (SHLI). SHLI provides non-emergency laboratory services for which the Hospital paid \$1,228 (2017 - \$1,230).

The Hospital is party to a joint venture agreement with Proresp Inc. The joint venture, North York ProResp, provides home respiratory products and services to the community. Total revenue recognized in the year amounted to \$287 (2017 - \$201).

The Hospital is party to a joint venture agreement with 2359158 Ontario Inc. The joint venture, North York General Assessment and Wellness Centre, provides independent medical examination services to insurance companies, employers, government organizations, and the WSIB. Total revenue recognized in the year amounted to \$313 (2017 - \$142).

13 Risk management

The Hospital is exposed to a variety of financial risks, including market risk, interest rate risk, credit risk and liquidity 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.

- **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 risk to which the Hospital is exposed is interest rate risk.

- **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Hospital. The interest bearing long-term investments have a limited exposure to interest rate risk due to their nature. The Hospital entered into interest rate swap contracts to mitigate the interest rate risk on the long-term debt.

- **Credit risk**

The Hospital's principal financial assets are cash and cash equivalents, accounts receivable and long-term investments, which are subject to credit risk. The carrying amounts of financial assets on the statement of

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

financial position represent the Hospital's maximum credit exposure at the statement of financial position date.

The Hospital's credit risk is primarily attributable to its receivables. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The Hospital 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, 2018, the following accounts receivable were past due but not impaired:

| | 30 days \$ | 60 days \$ | 90 days \$ | Over 120 days \$ |
|---------------------|---------------|---------------|---------------|------------------------|
| Accounts receivable | 4,570 | 306 | 209 | 1,504 |

The credit risk on cash and cash equivalents and long-term investments is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

- **Liquidity risk**

Liquidity risk is the risk the Hospital will not be able to meet its financial obligations when they come due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

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

| | Up to 1 year \$ | More than 1 year up to 5 years \$ | More than 5 years \$ | Total \$ |
|--|-----------------------|--|----------------------------|-------------|
| Accounts payable and accrued liabilities | 56,144 | - | - | 56,144 |
| Other long-term liability | 4,239 | - | - | 4,239 |
| Long-term debt | 1,381 | 5,097 | 7,819 | 14,297 |
| | 61,764 | 5,097 | 7,819 | 74,680 |

14 Shared services - Plexxus

The Hospital is a member of Plexxus, a not-for-profit shared services organization whose mandate is to provide supply chain services to member organizations. The objectives of Plexxus are to maximize supply chain savings that will be reinvested in direct patient care.

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

15 Commitments and contingencies

- a) Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the Hospital's financial position or results of operations.
- b) Healthcare Insurance Reciprocal of Canada (HIROC) was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. HIROC is licensed in Ontario, Manitoba, Saskatchewan, Alberta, Nova Scotia, Prince Edward Island, British Columbia, Northwest Territories, Yukon, Nunavut, and Newfoundland and Labrador. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian health-care organizations including the Hospital. Subscribers pay annual premiums, which are actuarially determined and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

In fiscal 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.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber that has an excess of premiums plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distribution receivable from HIROC as at March 31, 2018.

- c) The Hospital has entered into a multi-year maintenance contract with GE Medical Systems Canada that expires on May 31, 2020. Maintenance payments are due approximately as follows:

| | \$ |
|------|-------|
| 2019 | 390 |
| 2020 | 65 |
| | <hr/> |
| | 455 |
| | <hr/> |

North York General Hospital

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

d) The Hospital has operating lease agreements with payments due approximately as follows:

| | \$ |
|------------|---------------|
| 2019 | 1,632 |
| 2020 | 330 |
| 2021 | 566 |
| 2022 | 566 |
| 2023 | 566 |
| Thereafter | <u>11,711</u> |
| | <u>15,371</u> |

16 Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation to reflect liabilities that are long-term in nature as long-term liabilities.