# Hamilton Health Sciences Corporation

Financial Statements
**March 31, 2016**
(in thousands of dollars)

June 23, 2016

## Independent Auditor's 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, 2016 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.

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**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, 2016 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

# Hamilton Health Sciences Corporation

## Statement of Financial Position

**As at March 31, 2016**

(in thousands of dollars)

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Restricted cash and cash equivalents (note 3) | 68,603 | 43,746 |
| Short-term investments (note 3) | 3,600 | 6,900 |
| Accounts receivable (note 4) | 89,063 | 78,207 |
| Inventories | 13,927 | 13,053 |
| Prepaid expenses and deposits | 6,386 | 6,441 |
| | 181,579 | 148,347 |
| **Portfolio investments** (note 5) | 98,107 | 78,258 |
| **Other non-current assets** | 8,836 | 7,893 |
| **Capital assets** (note 6) | 880,734 | 829,073 |
| | 1,169,256 | 1,063,571 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank indebtedness (note 7) | 95,099 | 72,883 |
| Accounts payable and accrued liabilities | 123,311 | 131,282 |
| Deferred revenue | 1,596 | 8,074 |
| Current portion of obligations under capital leases (note 8) | 6,711 | 10,526 |
| Current portion of long-term debt (note 9) | 5,870 | 5,821 |
| | 232,587 | 228,586 |
| **Obligations under capital leases** (note 8) | 8,466 | 14,114 |
| **Long-term debt** (note 9) | 53,745 | 59,844 |
| **Post-retirement benefit obligations** (note 10(b)) | 60,867 | 58,579 |
| **Other long-term liability** | 3,602 | 2,957 |
| **Derivative liability** | 12,598 | 12,728 |
| **Deferred capital contributions** (note 11) | 657,411 | 590,417 |
| **Deferred research contributions** (note 12) | 124,885 | 99,350 |
| | 1,154,161 | 1,066,575 |
| **Net assets (deficit)** | | |
| **Unrestricted** | (228,738) | (255,373) |
| **Invested in capital assets** (note 13(a)) | 160,477 | 167,285 |
| **Board designated** | 86,794 | 85,785 |
| **Accumulated remeasurement losses** | (3,438) | (701) |
| | 15,095 | (3,004) |
| | 1,169,256 | 1,063,571 |

**Commitments and contingencies** (notes 15 and 16(e))

**Approved by the Board of Directors**

_______________ Director _______________ Director

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

## Hamilton Health Sciences Corporation

Statement of Operations

**For the year ended March 31, 2016**

(in thousands of dollars)

| | 2016<br>$ | 2015<br>$ |
|---|---:|---:|
| **Revenue** | | |
| Ontario Ministry of Health and Long-Term Care (MOHLTC) | 1,030,440 | 992,435 |
| Ontario Health Insurance Plan | 38,423 | 38,556 |
| Ministry of Community and Social Services | 30,190 | 29,039 |
| Patient and third party payers | 25,360 | 24,162 |
| Income from portfolio investments (note 5) | 281 | 882 |
| Amortization of deferred capital contributions (note 11) | 29,775 | 27,230 |
| Ancillary and other recoveries | 121,853 | 115,011 |
| Research (note 12) | 128,915 | 107,507 |
| | 1,405,237 | 1,334,822 |
| **Expenses** | | |
| Salaries and employee benefits | 796,312 | 778,837 |
| Medical staff remuneration | 79,663 | 80,399 |
| Medical and surgical supplies | 64,839 | 62,674 |
| Drugs | 86,805 | 76,182 |
| Facilities | 24,496 | 23,506 |
| Amortization of capital assets | 52,694 | 47,204 |
| Other expenses | 154,847 | 150,791 |
| Research (note 12) | 124,745 | 105,009 |
| | 1,384,401 | 1,324,602 |
| **Excess of revenue over expenses for the year** | 20,836 | 10,220 |

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

# Hamilton Health Sciences Corporation

Statement of Changes in Net Assets

**For the year ended March 31, 2016**

(in thousands of dollars)

| | | | | 2016 | 2015 |
|---|---|---|---|---|---|
| | **Unrestricted** **$** | **Invested in capital assets** **$** (note 13) | **Board designated** **$** | **Total** **$** | **Total** **$** |
| **Net assets (deficit) - beginning of year** | (255,373) | 167,285 | 85,785 | (2,303) | (12,523) |
| Excess of revenue over expenses for the year | 20,836 | - | - | 20,836 | 10,220 |
| Transfer to Board designated | (4,226) | - | 4,226 | - | - |
| Transfer from Board designated | 3,217 | - | (3,217) | - | - |
| Net change in invested in capital assets (note 13(b)) | 6,808 | (6,808) | - | - | - |
| **Net assets (deficit) - end of year** | (228,738) | 160,477 | 86,794 | 18,533 | (2,303) |

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

## Hamilton Health Sciences Corporation

Statement of Remeasurement Gains and Losses

**For the year ended March 31, 2016**

(in thousands of dollars)

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Accumulated remeasurement gains (losses) - beginning of year** | (701) | 8,303 |
| **Unrealized gains (losses) attributable to** | | |
| Derivatives | 130 | (3,341) |
| Portfolio investments | (801) | 7,015 |
| Foreign exchange | 1,136 | 2,409 |
| | 465 | 6,083 |
| **Unrealized gains reclassified to deferred contributions** | | |
| Portfolio investments | (679) | (1,632) |
| Foreign exchange | (133) | (1,859) |
| | (812) | (3,491) |
| **Realized gains reclassified to statement of operations** | | |
| Portfolio investments | (2,088) | (9,162) |
| Foreign exchange | (302) | (2,434) |
| | (2,390) | (11,596) |
| **Net remeasurement losses for the year** | (2,737) | (9,004) |
| **Accumulated remeasurement losses - end of year** | (3,438) | (701) |

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

# Hamilton Health Sciences Corporation

## Statement of Cash Flows

**For the year ended March 31, 2016**

(in thousands of dollars)

| | 2016 $ | 2015 $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenue over expenses for the year | 20,836 | 10,220 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | 56,638 | 51,296 |
| Amortization of deferred capital contributions | (31,754) | (29,082) |
| Non-pension post-retirement benefits expense | 5,299 | 5,446 |
| Gain on disposal of deferred capital | (5,088) | (1,966) |
| Loss on disposal of capital assets | 9,526 | 4,191 |
| Net gain on portfolio investments | (2,079) | (12,678) |
| | 53,378 | 27,427 |
| Net change in non-cash working capital balances related to operations (note 14) | (21,199) | (13,689) |
| Increase in other long-term liability | 645 | 763 |
| Non-pension post-retirement funding contributions | (3,011) | (3,405) |
| Increase in deferred research contributions | 25,535 | 29,020 |
| | 55,348 | 40,116 |
| **Capital activities** | | |
| Purchase of capital assets | (121,476) | (64,897) |
| Proceeds from disposal of capital assets | 4 | 1,155 |
| | (121,472) | (63,742) |
| **Investing activities** | | |
| Increase in other non-current assets | (943) | (4,581) |
| Purchase of investments | (45,597) | (37,227) |
| Proceeds on sale of investments | 28,260 | 99,292 |
| (Increase) decrease in restricted cash and cash equivalents - net | (24,857) | 213,210 |
| Designated transfer of assets (note 16(c)) | - | (255,000) |
| | (43,137) | 15,694 |
| **Financing activities** | | |
| Contributions received for capital purposes | 103,836 | 41,875 |
| Proceeds received on long-term debt | - | 15,000 |
| Repayment of long-term debt | (6,050) | (3,976) |
| Payment of obligations under capital leases | (10,741) | (12,287) |
| | 87,045 | 40,612 |
| **(Increase) decrease in bank indebtedness during the year** | (22,216) | 32,680 |
| **Bank indebtedness - beginning of year** | (72,883) | (105,563) |
| **Bank indebtedness - end of year** | (95,099) | (72,883) |
| **Supplemental information** | | |
| Interest paid | 3,968 | 4,966 |
| Non-cash transactions | | |
| Purchase of capital assets included in accounts payable and accrued liabilities | 2,543 | 7,468 |
| Donated capital asset and deferred capital contributions additions | - | 13,506 |
| Purchase of capital assets through lease obligations | 1,278 | 7,948 |

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

(in thousands of dollars)

## 1 Purpose of the organization

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.

## 2 Summary of significant accounting policies

**Basis of presentation**

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 16(a), (b), (c) and (d)), or the activities of Bay Area Health Trust (BAHT), which is a non-controlled for-profit entity (note 16(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 HNHB 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, 2015, the Hospital entered into an amending agreement extending the H-SAA to March 31, 2016. Since year end, the Hospital entered into a further amending agreement extending the H-SAA to March 31, 2017.

If the Hospital does not meet certain performance standards or obligations, the HNHB LHIN has the right to adjust certain funding streams received by the Hospital. Given that the HNHB 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.

(in thousands of dollars)

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.

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:

| | |
|---|---|
| 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.

**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.

(in thousands of dollars)

**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.

**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) 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.

**h) 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

(in thousands of dollars)

such is not reflected in these financial statements. Contributed materials by volunteers are also not recognized in these financial statements.

**i) Use of estimates**

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates. Amounts subject to estimates include the recoverability of accounts receivable, the measurement of accrued liabilities, post-retirement benefit obligations, useful life of capital assets and the determination of the fair value of investments and derivatives.

## 3 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 $68,603 (2015 - $43,746) 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 $60,058 (2015 - $32,743), construction facilities of $8,507 (2015 - $10,983) and patient trust accounts of $38 (2015 - $20).

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 earns 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% (2015 - 1.26%), US dollar holdings with an average rate of 0.43% (2015 - 0.42%) and Euro holdings with an average rate of nil% (2015 - nil%).

Short-term investments consist of guaranteed investment certificates, and in prior years 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 1.68% (2015 - 2.64%) and are recorded at fair value of $3,600 (2015 - $6,900) as at March 31, 2016, with a cost of $3,600 (2015 - $6,817). Of these funds, $3,500 (2015 - $6,785) are held for the Hospital's internally and externally designated trusts, commitments and research operations.

(in thousands of dollars)

## 4 Accounts receivable

Accounts receivable consist of the following:

| | 2016 $ | 2015 $ |
|---|---|---|
| MOHLTC | 31,431 | 14,515 |
| Ontario Health Insurance Plan | 7,830 | 4,197 |
| Patient | 9,556 | 11,753 |
| BAHT (note 16(e)) | 1,645 | 1,540 |
| Foundation, Volunteer Association, WLMH Foundation and Auxiliary (notes 16(a), (b) and (d)) | 4,418 | 2,671 |
| Research | 17,896 | 23,220 |
| Other | 16,287 | 20,311 |
| | 89,063 | 78,207 |

## 5 Portfolio investments

Long-term investments consist of the following:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Cost $ | Fair value $ | Cost $ | Fair value $ |
| Fixed income | | | | |
| Canadian | 41,805 | 45,899 | 34,750 | 39,926 |
| US | 2,589 | 2,597 | 6,333 | 6,307 |
| Preferred shares | | | | |
| Canadian | 4,147 | 4,153 | - | - |
| Equities | | | | |
| Canadian | 22,214 | 24,822 | 9,143 | 12,015 |
| US | 17,152 | 20,636 | 15,039 | 20,010 |
| | 87,907 | 98,107 | 65,265 | 78,258 |

Fixed income investments have a weighted average term of 4.79 years (2015 - 6.05 years) to maturity and have an average yield of 4.07% (2015 - 4.09%) as at March 31, 2016. Of the portfolio investments, $97,707 (2015 - $77,418) are held for the Hospital's internally and externally designated trusts, commitments and research operations.

Investment income of $5,319 (2015 - $13,336) consists of $5,038 (2015 - $12,454) from research operations and $281 (2015 - $882) from hospital operations and is comprised of the following:

| | 2016 $ | 2015 $ |
|---|---|---|
| Interest and dividend income | 3,451 | 4,460 |
| Net realized gains | 2,088 | 9,162 |
| Less: investment fees | (220) | (286) |
| | 5,319 | 13,336 |

(in thousands of dollars)

## 6 Capital assets

Capital assets consist of the following:

| | | | **2016** |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| 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 |
| | 1,407,114 | 526,380 | 880,734 |

| | | | **2015** |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| Land | 1,126 | - | 1,126 |
| Building and building improvements | 819,935 | 152,615 | 667,320 |
| Equipment | 419,846 | 337,871 | 81,975 |
| Construction-in-progress | 78,652 | - | 78,652 |
| | 1,319,559 | 490,486 | 829,073 |

Included in capital assets are assets under capital leases at a cost of $36,123 (2015 - $40,124) and accumulated amortization of $14,951 (2015 - $15,888).

Capital assets with a cost of $30,272 (2015 - $14,289) were disposed of in fiscal 2016 at a net loss of $4,438 (2015 - $4,191) which is included in other expenses in the statement of operations.

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

## 7 Bank indebtedness

As at March 31, 2016, the Hospital has available a $75,000 (2015 - $75,000) unsecured demand operating line of credit, of which $20,099 (2015 - $20,833) was drawn. This operating line of credit bears interest at the prime rate less 0.80%. As at March 31, 2016, the bank's prime interest rate is 2.70% (2015 - 2.85%).

(in thousands of dollars)

As at March 31, 2016, the Hospital had a short-term bridging facility of $75,000 (2015 - $52,000) at rates ranging from 0.804% to 0.858%, which was repaid in April 2016 through funding received from the MOHLTC.

As at March 31, 2016, the Hospital remained compliant with its lending covenants.

## 8 Lease commitments

The Hospital has entered into various arrangements for the leasing of computer and medical equipment. The weighted average effective interest rate of the capital leases is 2.82% (2015 - 3.02%).

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

| | Capital leases $ | Operating leases $ |
|---|---|---|
| 2017 | 7,045 | 2,495 |
| 2018 | 4,524 | 825 |
| 2019 | 2,798 | 115 |
| 2020 | 1,372 | 2 |
| 2021 | 34 | - |
| Total minimum lease payments | 15,773 | 3,437 |
| Less: amount representing interest | 596 | |
| Obligations under capital leases | 15,177 | |
| Less: current portion | 6,711 | |
| | 8,466 | |

(in thousands of dollars)

## 9 Long-term debt

Long-term debt consists of the following:

| | 2016 $ | 2015 $ |
|---|---|---|
| Capital loan payable by August 1, 2025 in monthly principal and interest instalments of $58 at 4.65% per annum (a) | 5,269 | 5,705 |
| Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of $397 at 5.255% per annum (b) | 15,118 | 15,874 |
| Capital loan payable by September 17, 2029 in quarterly principal and interest instalments of $150 at 4.33% per annum (c) | 5,493 | 5,747 |
| Capital loan payable by April 15, 2029 in quarterly principal and interest instalments of $586 at 5.255% per annum (d) | 22,339 | 23,457 |
| Development charges payable by July 23, 2018 to the City of Hamilton in interest-free annual instalments of $137 (e) | 410 | 547 |
| Pharmacy loan payable by January 1, 2018 in monthly principal and interest instalments of $11 at 3.05% per annum (f) | - | 350 |
| Medical equipment charges payable by December 30, 2016 in interest-free quarterly instalments of $26 (g) | 75 | 175 |
| Capital loan payable by October 15, 2019 in monthly principal and interest instalments of $261 at 1.42% (h) | 10,911 | 13,810 |
| | 59,615 | 65,665 |
| Less: current portion | 5,870 | 5,821 |
| | 53,745 | 59,844 |

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, 2016, 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.

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, 2016.

(in thousands of dollars)

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%.

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%.

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%.

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 June 1, 2013, the Hospital entered into a $600, five-year financing agreement for the purpose of financing construction costs related to the new retail pharmacy at the General site. The interest rate is equal to prime rate less a 0.20% discount, plus an administration fee of 0.25%. This loan was repaid in July 2015.

g) On April 1, 2012, the Hospital entered into a $498, five-year interest free payment plan arrangement with a vendor for medical equipment.

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

| | $ |
|---|---|
| 2017 | 5,870 |
| 2018 | 6,021 |
| 2019 | 6,243 |
| 2020 | 5,014 |
| 2021 | 3,353 |
| Thereafter | 33,114 |
| | 59,615 |

(in thousands of dollars)

## 10 Employee future benefit plans

### a) Multi-employer plan

The Hospital's contributions to HOOPP during the year amounted to $51,707 (2015 - $49,328) and are included in salaries and employee benefits expense in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31, 2015 indicates the plan has a 22.1% 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.

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, 2016, the sick leave obligation amounted to $4,473 (2015 - $4,498).

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

| | **2016 $** | **2015 $** |
|---|---|---|
| Accrued benefit obligation | 62,770 | 63,819 |
| Unamortized actuarial losses | (1,903) | (5,240) |
| Post-retirement benefit liability | 60,867 | 58,579 |

The movement in the post-retirement benefit obligations during the year is as follows:

| | **2016 $** | **2015 $** |
|---|---|---|
| Post-retirement benefit liabilities, as at April 1 | 58,579 | 56,538 |
| Current service cost | 2,921 | 2,693 |
| Interest cost | 1,957 | 2,454 |
| Amortization of actuarial losses | 421 | 299 |
| | 63,878 | 61,984 |
| Non-pension post-retirement funding contributions | (3,011) | (3,405) |
| Post-retirement liability, as at March 31 | 60,867 | 58,579 |

(in thousands of dollars)

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

| | 2016 % | 2015 % |
|---|---|---|
| Discount rate | 3.25 | 3.00 |
| Expected annual increase in dental care costs | 3.00 | 4.00 |
| Expected annual increase in health care costs* | 6.25 | 7.00 |

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

## 11 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:

| | 2016 $ | 2015 $ |
|---|---|---|
| Balance - beginning of year | 590,417 | 566,084 |
| Add: Contributions for capital purposes | | |
| MOHLTC grant | 82,405 | 27,517 |
| Foundations and Volunteer Association | 11,122 | 18,500 |
| Other | 10,309 | 9,364 |
| | 694,253 | 621,465 |
| Less: Amortization | 31,754 | 29,082 |
| Disposals of related capital assets | 5,088 | 1,966 |
| Balance - end of year | 657,411 | 590,417 |

Included in the above balance are contributions of $11,946 (2015 - $18,934) received but not yet utilized to purchase capital assets. Amortization is comprised of $29,775 (2015 - $27,230) from hospital operations and $1,979 (2015 - $1,852) from research operations.

## 12 Deferred research contributions

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

| | 2016 $ | 2015 $ |
|---|---|---|
| Balance - beginning of year | 99,350 | 70,330 |
| Externally restricted contributions received | 118,331 | 99,380 |
| Less: amount recognized as revenue during the year | (93,608) | (73,851) |
| Net change in fair value on invested unspent deferred research balances | 812 | 3,491 |
| Balance - end of year | 124,885 | 99,350 |

(in thousands of dollars)

Research revenues and expenses are calculated as follows:

| **Research revenues** | **2016 $** | **2015 $** |
|---|---|---|
| Investment income | 5,038 | 12,454 |
| Amortization of deferred capital contributions | 1,979 | 1,852 |
| Other research revenues | 121,898 | 93,201 |
| | 128,915 | 107,507 |

| **Research expenses** | **2016 $** | **2015 $** |
|---|---|---|
| Salaries and employee benefits | 41,374 | 36,639 |
| Medical staff remuneration | 2,101 | 1,426 |
| Medical and surgical supplies | 14 | 9 |
| Drugs | 717 | 1 |
| Facilities | 320 | 470 |
| Amortization of capital assets | 3,944 | 4,092 |
| Other research expenses | 76,275 | 62,372 |
| | 124,745 | 105,009 |

Other research revenues of $121,898 (2015 - $93,201) consist of externally restricted research grants and donations recognized in income during the year of $93,608 (2015 - $73,851) and $28,290 (2015 - $19,350) from research administered accounts, internally restricted by the Hospital's Board of Directors.

The comparative balances have been reclassified to conform to the current period's presentation whereby research-related revenues and expenditures are solely included in the corresponding line items. As a result, 2015 research revenues and expenses were increased by $14,306 and by $4,044, respectively, with decreases/(increases) in income from portfolio investments, amortization of deferred capital contributions, amortization of capital assets and other research expenses of $12,454, $1,852, $4,092 and ($48), respectively.

## 13 Net assets invested in capital assets

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

| | **2016 $** | **2015 $** |
|---|---|---|
| Capital assets - net | 880,734 | 829,073 |
| Less amounts funded by: | | |
| Deferred capital contributions spent (note 11) | (645,465) | (571,483) |
| Obligations under capital leases (note 8) | (15,177) | (24,640) |
| Long-term debt (note 9) | (59,615) | (65,665) |
| | 160,477 | 167,285 |

(in thousands of dollars)

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

| | 2016 $ | 2015 $ |
|---|---|---|
| Purchase of capital assets - net | 108,299 | 82,924 |
| Amounts funded by deferred capital contributions | (105,736) | (55,769) |
| Amortization of capital assets | (56,638) | (51,296) |
| Amortization of deferred capital contributions | 31,754 | 29,082 |
| Decrease in obligations under capital leases | 9,463 | 4,339 |
| (Increase) decrease in long-term debt | 6,050 | (11,024) |
| | (6,808) | (1,744) |

## 14 Statement of cash flows

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

| | 2016 $ | 2015 $ |
|---|---|---|
| Accounts receivable | (10,856) | (17,887) |
| Inventories | (874) | (644) |
| Prepaid expenses and deposits | 55 | (506) |
| Accounts payable and accrued liabilities | (3,046) | 6,122 |
| Deferred revenue | (6,478) | (774) |
| | (21,199) | (13,689) |

## 15 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, 2016, 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, 2016.

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

(in thousands of dollars)

Department and Ambulatory Surgical Service improvements. Completion of the project is expected in fiscal 2016/17.

d) The Hospital has committed to an infrastructure upgrade project at the WLMH site. Costs are projected to be $5,437 with a maximum grant of $4,959. The project is anticipated to commence in August 2016 pending MOHLTC approval.

e) The total capital expenditure commitments for the projects described in (c) through (d) above and other minor projects outstanding as at March 31, 2016 are estimated at $20,308 (2015 - $102,835).

f) As at March 31, 2016, the Hospital has outstanding letters of credit of $25 (2015 - $50) related to various construction and renovation projects.

g) 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.

## 16 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 $10,713 during fiscal 2016 (2015 - $12,868) for capital and $1,075 (2015 - $1,209) for research. Included in the Hospital’s assets as at March 31, 2016 is $1,380 (2015 - $1,910) 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 $12,856 (2015 - $13,023) during the year for capital and non-capital expenses. Included in the Hospital’s assets as at March 31, 2016 is $2,784 (2015 - $463) 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 2016, HHSRI paid the Hospital $366 (2015 - $341) for services under the Management Services Agreement and HHSRI contributed $7,649

(in thousands of dollars)

(2015 - $2,000) to the Hospital for research. Included in the Hospital's assets at March 31, 2016 is $2,107 (2015 - nil) in accounts receivable from HHSRI. During fiscal 2014, the Hospital authorized a designated gift of $290,000 to HHSRI, of which $255,000 was transferred in fiscal 2015.

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 $290 (2015 - $250) during the year for capital and non-capital expenses. The Auxiliary contributed $274 (2015 - $6) during the year for capital and non-capital expenses. Included in the Hospital's assets as at March 31, 2016 is $253 (2015 - $1,369) in accounts receivable from the WLMH Foundation and $1 (2015 - $1) from the Auxiliary.

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, 2016 is $1,645 (2015 - $1,540) in accounts receivable of which $1,322 (2015 - $330) is interest bearing at a rate of prime less 0.20%. Included in the Hospital's accounts payable is $101 (2015 - $348). In the current year, the Hospital earned investment income of $20 (2015 - $11) and paid $8,777 (2015 - $8,966) of non-salary expenses to BAHT. The Hospital has guaranteed a portion of BAHT's financing and as at December 31, 2015, $47,606 (December 31, 2014 - $49,830) 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.

## 17 Financial instruments and risk management

### 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.

(in thousands of dollars)

The Hospital's financial instruments are measured as follows:

| **Assets/liabilities** | **Measurement category** |
|---|---|
| Restricted cash and cash equivalents | fair value |
| Short-term investments | fair value |
| Portfolio investments | fair value |
| Accounts receivable | amortized cost |
| Bank indebtedness | amortized cost |
| Accounts payable and accrued liabilities | amortized cost |
| Long-term debt | amortized cost |
| Obligations under capital leases | amortized cost |
| Derivative liability | fair value |

**Portfolio investments**

The Hospital invests in publicly traded equities (held directly) and fixed income securities. Publicly traded equities are reported at fair value. Fixed income securities are managed on a fair value basis and are therefore reported at fair value.

Changes in the fair value of portfolio investments that are Board designated are recorded in the statement of remeasurement gains and losses until the financial instrument is settled. Transaction costs are expensed as incurred. Changes in unrealized gains and losses of portfolio investments related to externally restricted research are recorded in deferred research contributions.

Interest and dividends attributable to portfolio investments are reported in the statement of operations.

**Derivatives**

The Hospital currently employs interest rate swaps to convert its variable interest rate on $59,130 of its floating rate loan facilities to a fixed interest rate (note 9). 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.

**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;
- 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

(in thousands of dollars)

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.

The following table illustrates the classification of the Hospital's financial instruments within the fair value hierarchy as at March 31:

| | | | | **2016** |
|---|---|---|---|---|
| | **Level 1** **$** | **Level 2** **$** | **Level 3** **$** | **Total** **$** |
| 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 |
| | 170,310 | 12,598 | - | 182,908 |

| | | | | **2015** |
|---|---|---|---|---|
| | **Level 1** **$** | **Level 2** **$** | **Level 3** **$** | **Total** **$** |
| Restricted cash and cash equivalents | 43,746 | - | - | 43,746 |
| Short-term investments | 6,900 | - | - | 6,900 |
| Portfolio investments | 78,258 | - | - | 78,258 |
| Derivative liability | - | 12,728 | - | 12,728 |
| | 128,904 | 12,728 | - | 141,632 |

**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 program 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.

- 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.

  - 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

(in thousands of dollars)

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.

- 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, 2016, the total amount of cash and securities denominated in a foreign currency was $41,605 (2015 - $46,489).

  The Hospital's estimate of the effect on net assets as at March 31, 2016 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 $416 (2015 - $465).

- 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, 2016, the Hospital's total exposure to other price risk is $98,107 (2015 - $78,258). The Hospital's estimate on the effect of net assets as at March 31, 2016 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 $981 (2015 - $783). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

- 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.

- 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.

(in thousands of dollars)

As at March 31, 2016, the following accounts receivable were past due but not impaired:

| | **30 days** $ | **60 days** $ | **90 days** $ | **Over 120 days** $ |
|---|---|---|---|---|
| Accounts receivable | 6,134 | 1,856 | 5,332 | 8,515 |

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.

- 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 has submitted requests and is in the process of finalizing an agreement for additional working capital relief funding from the MOHLTC. Without access to these additional funding arrangements, the Hospital would need to maintain its cash advance from the MOHLTC in order to continue to meet its obligations.

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 | 95,099 | - | - | - | 95,099 |
| Accounts payable and accrued liabilities | 123,311 | - | - | - | 123,311 |
| Obligations under capital lease | 3,606 | 3,105 | 8,466 | - | 15,177 |
| Long-term debt | 2,996 | 2,874 | 20,631 | 33,114 | 59,615 |
| Other long-term liability | - | - | 1,398 | 2,204 | 3,602 |
| Derivative liability | - | - | 117 | 12,481 | 12,598 |
| | 225,012 | 5,979 | 30,612 | 47,799 | 309,402 |

(in thousands of dollars)

## 18 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 $74,322 (2015 - $71,382) and received $75,645 (2015 - $74,960) from the MOHLTC. As applicable, the surplus in funding is owed to the MOHLTC, and, as such, a payable of $1,323 (2015 - $3,578) has been included in accounts payable and accrued liabilities.

b) Diabetes Education Program

During the year, the Diabetes Education Program incurred expenses of $931 (2015 - $890) and received $874 (2015 - $874) from HNHB LHIN.

| | **2016 $** | **2015 $** |
|---|---|---|
| Revenue | 874 | 874 |
| Expenses | | |
| Salaries and benefits | 916 | 868 |
| General operating expenditures | 14 | 21 |
| Travel/transportation | 1 | 1 |
| Total expenses | 931 | 890 |

c) Emergency Department Physician Program

During the year, the Emergency Department Physician Program at the WLMH site incurred expenses of $1,890 (2015 - $1,911) and received $1,890 (2015 - $1,911) in funding.

| | **2016 $** | **2015 $** |
|---|---|---|
| Revenues | | |
| Physician | | |
| MOHLTC | 1,354 | 1,404 |
| APP premium payments | 464 | 466 |
| Medical trainee program | 3 | 2 |
| Mentorship program | 27 | - |
| OHIP, 3rd party | 42 | 39 |
| | 1,890 | 1,911 |

(in thousands of dollars)

| | 2016 $ | 2015 $ |
|---|---|---|
| Expenses | | |
| Physician | | |
| Participating physicians' services | 1,344 | 1,389 |
| APP premium payments | 464 | 466 |
| Non-participating physicians' services | 35 | 33 |
| Mentorship program | 18 | - |
| | 1,861 | 1,888 |
| Administration | | |
| Medical director | 6 | 7 |
| Billing administration | 23 | 16 |
| | 29 | 23 |
| Total expenses | 1,890 | 1,911 |