Financial Statements of

Health Sciences North
Horizon Santé-Nord

Year ended March 31, 2019

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Health Sciences North

Opinion

We have audited the financial statements of Health Sciences North (the “Entity”), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
May 28, 2019

HEALTH SCIENCES NORTH

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018
(in thousands of dollars)

		2019	2018
Revenue:			
North East Local Health Integration Network and Ministry of Health and Long-Term Care	$	306,977	297,071
Cancer Care Ontario		62,537	56,737
Specifically funded programs		46,667	35,107
Patient services		34,942	35,350
Other		43,536	46,947
Amortization - deferred capital contributions for equipment		8,950	8,137
		503,609	479,349
Expenses:			
Salaries and wages		209,772	216,146
Employee benefits		70,189	67,922
Medical staff remuneration		29,152	28,772
Supplies and other		63,599	64,557
Interest on long-term debt		1,357	1,236
Medical and surgical		30,830	28,596
Drugs		33,244	29,746
Specifically funded programs		46,596	35,238
Amortization - equipment		17,034	16,059
		501,773	488,272
Excess (deficiency) of revenue over expenses from Hospital operations		1,836	(8,923)
Amortization - buildings		(11,298)	(11,558)
Amortization - deferred capital contributions for buildings		10,906	9,349
Excess (deficiency) of revenue over expenses before undernoted item		1,444	(11,132)
Liabilities assumed from Sudbury Hospital Services (note 14(c))		(1,289)	-
Excess (deficiency) of revenue over expenses	$	155	(11,132)

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Financial Position

March 31, 2019, with comparative information for 2018
(in thousands of dollars)

		2019	2018
Assets			
Current assets:			
Cash	$	9,574	3,149
Accounts receivable (note 2)		36,115	34,718
Inventories		4,806	5,022
Prepayments		7,154	6,524
		57,649	49,413
Long-term receivables (note 3)		3,072	23,820
Capital assets (note 4)		341,715	345,109
	$	402,436	418,342
Liabilities and Net Debt			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)		87,689	78,229
Current portion of long-term obligations (note 10)		1,569	8,721
		89,258	86,950
Deferred contributions (note 7)		570	769
Deferred capital contributions (note 8)		267,228	268,095
Employee post-retirement benefits (note 9)		26,568	24,565
Long-term obligations (note 10)		23,883	43,189
		407,507	423,568
Net debt		(5,071)	(5,226)
Contingencies (note 14)			
	$	402,436	418,342

See accompanying notes to financial statements

On behalf of the Board:

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HEALTH SCIENCES NORTH

Statement of Changes in Net Debt

Year ended March 31, 2019, with comparative information for 2018
(in thousands of dollars)

		2019	2018
Net assets (debt), beginning of year	$	(5,226)	5,906
Excess (deficiency) of revenue over expenses		155	(11,132)
Net debt, end of year	$	(5,071)	(5,226)

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018
(in thousands of dollars)

		2019	2018
Cash flows from operating activities:			
Excess (deficiency) of revenue over expenses	$	155	(11,132)
Adjustments for:			
Amortization of capital assets		28,332	27,617
Amortization of deferred capital contributions		(19,856)	(17,486)
Increase in accrued benefits obligation		2,003	927
		10,634	(74)
Change in non-cash working capital (note 11)		497	13,052
		11,131	12,978
Cash flows from capital activities:			
Additions to capital assets:			
- Care Point project		-	(2,597)
- parking lot redevelopment project		(13)	(226)
- medical learners project		(5,350)	(393)
- capital expansion project		-	(14)
- equipment		(12,365)	(10,693)
- building		(7,210)	(5,838)
Increase in deferred capital contributions		18,989	5,774
		(5,949)	(13,987)
Cash flows from financing activities:			
Decrease in long-term receivables		20,748	3,203
Decrease in deferred contributions		(199)	(176)
Decrease in long-term obligations		(19,306)	(9,824)
		1,243	(6,797)
Cash flows from investing activities:			
Decrease in restricted assets		-	2,288
Net increase (decrease) in cash		6,425	(5,518)
Cash, beginning of year		3,149	8,667
Cash, end of year	$	9,574	3,149

See accompanying notes to financial statements

Health Sciences North (the “Hospital”) was incorporated under the laws of Ontario on June 30, 1997 and is exempt from income taxes under Section 149 of the Income Tax Act.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the “MOHLTC”) and the North East Local Health Integration Network (“NELHIN”). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

Buildings and site services	2% - 10%
Furniture and equipment	5% - 20%
Information technology	10% - 33%

In the year of acquisition, amortization is provided at one-half of the rates otherwise charged.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the 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 future cash flows, an impairment charge is recognized by 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.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 13):

Health Sciences North Foundation
Northern Cancer Foundation
Health Sciences North Volunteer Association
Sudbury Hospital Services
Sudbury Vascular Laboratory Ltd.
Health Sciences North Research Institute (“HSNRI”)
NEO Kids Foundation

The investment in the controlled for-profit entity, Sudbury Vascular Laboratory Ltd., is accounted for by the equity method. The other entities are not consolidated.

(e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management’s best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 13 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the “Plan”), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

1. Significant accounting policies (continued):

(g) Funding adjustments:

The Hospital receives grants from the NELHIN, MOHLTC and Cancer Care Ontario ("CCO") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the NELHIN, MOHLTC or CCO are entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

(i) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

(In thousands of dollars)

2. Accounts receivable:

		2019	2018
NELHIN and MOHLTC	$	16,060	12,836
Patients		7,879	7,847
Hospitals and agencies		5,405	5,444
Canada Revenue Agency (HST)		2,934	2,142
CCO		619	3,184
Current portion of long-term receivables		1,412	1,223
Other		4,356	3,442
		38,665	36,118
Less: allowance for doubtful accounts		(2,550)	(1,400)
	$	36,115	34,718

3. Long-term receivables:

		2019	2018
City of Greater Sudbury	$	2,901	3,445
Northern Cancer Foundation		1,583	1,511
Sudbury Hospital Services		896	896
HSNRI		–	19,191
		5,380	25,043
Less: current portion		(1,412)	(1,223)
Less: allowance for doubtful accounts		(896)	–
	$	3,072	23,820

(In thousands of dollars)

4. Capital assets:

				2019
		Cost	Accumulated Amortization	Net book Value
Property	$	3,767	–	3,767
Buildings and site services		135,849	83,601	52,248
Furniture and equipment		136,974	108,793	28,181
Information technology		81,658	59,676	21,982
Assets under capital leases		5,133	4,340	793
Capital project - building		296,987	77,966	219,021
Capital project - equipment		53,446	52,462	984
Projects in progress		14,739	–	14,739
	$	728,553	386,838	341,715

				2018
		Cost	Accumulated Amortization	Net book Value
Property	$	3,767	–	3,767
Buildings and site services		142,355	82,890	59,465
Furniture and equipment		133,950	105,761	28,189
Information technology		67,449	53,774	13,675
Assets under capital leases		5,133	3,996	1,137
Capital project - building		287,877	67,405	220,472
Capital project - equipment		49,080	46,923	2,157
Projects in progress		16,247	–	16,247
	$	705,858	360,749	345,109

5. Bank indebtedness:

The Hospital has arranged for credit facilities which include a demand operating line to $40 million. The facilities bear interest at banker’s prime rate less 0.25% (2018 - prime rate less 0.25%).

(In thousands of dollars)

6. Accounts payable and accrued liabilities:

		2019	2018
Accounts payable and accrued liabilities:			
- operating	$	38,563	38,580
- capital		5,413	1,141
- NELHIN and MOHLTC		5,417	3,906
- CCO		1,537	1,029
Payroll accruals:			
- salaries and wages		13,280	12,241
- vacation pay		17,774	15,598
- sick leave		181	230
Deferred revenue		5,524	5,504
	$	87,689	78,229

7. Deferred contributions:

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

		2019	2018
Balance, beginning of year	$	769	945
Contributions received		53	89
Amounts taken to revenue		(252)	(265)
Balance, end of year	$	570	769

(In thousands of dollars)

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2019	2018
Balance, beginning of year	$ 268,095	279,807
Additional contributions		
Equipment and buildings:		
NELHIN and MOHLTC	7,748	2,644
CCO	2,006	2,003
Northern Cancer Foundation	–	647
Health Sciences North Foundation	5,332	–
Other	960	317
	16,046	5,611
Capital expansion project:		
MOHLTC – Phase 2 capital expansion project	2,804	–
City of Greater Sudbury	139	163
	18,989	5,774
Less: amounts amortized to revenue	(19,856)	(17,486)
Balance, end of year	$ 267,228	268,095

The balance of unamortized and unspent funds consists of the following:

	2019	2018
Unamortized	$ 265,670	266,368
Unspent:		
Building	1,544	1,543
Equipment	14	184
	1,558	1,727
	$ 267,228	268,095

(In thousands of dollars)

9. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at April 1, 2018. The next full valuation of the plan will be as of April 1, 2021.

The accrued benefit obligation is recorded in the financial statements as follows:

		2019	2018
Accrued benefit obligation, beginning of year	$	24,565	23,638
Add: benefit costs		3,229	2,294
		27,794	25,932
Less: benefit contributions		(1,226)	(1,367)
Balance, end of year	$	26,568	24,565

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital’s plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2019	2018
Discount rate	3.05%	3.20%
Dental cost trend rates	4.00%	3.00%
Extended health care trend rates	6.00%	6.00%

(In thousands of dollars)

10. Long-term obligations:

		2019	2018
Long-term debt (a)	$	25,003	51,256
Other (b)		449	654
		25,452	51,910
Less: current portion		(1,569)	(8,721)
	$	23,883	43,189

(a) Long-term debt:

Long-term debt consists of:

(i) Demand non-revolving loan to $22,000 to finance capital expenditures, including Care Point. The loan bears interest at 4.42% and is being repaid in unblended monthly payments over 20 years. This facility is a consolidation of various facilities drawn on in prior years. As at March 31, 2019, $15,117 (2018 - $17,757) is drawn on this facility.

(ii) Demand revolving loan to $10,400 to finance parking lot improvements. The loan bears interest at a rate of prime less 0.25% and is being repaid in unblended monthly payments over 20 years. As at March 31, 2019, a total of $9,886 (2018 - $10,451) is drawn on the facility.

Principal repayments of long-term debt are as follows:

2020	$	1,337
2021		1,337
2022		1,337
2023		1,337
2024		1,337
Thereafter		18,318
	$	25,003

(b) Other:

The Hospital has entered into a six-year capital lease for equipment ending February 2021. The lease is being repaid in blended monthly lease payments of $20 and an annual interest rate of 2.85%.

(In thousands of dollars)

11. Change in non-cash working capital:

		2019	2018
Accounts receivable	$	(1,397)	(1,764)
Inventories		216	(75)
Prepayments		(630)	784
Accounts payable and accrued liabilities		9,460	9,729
Current portion of long-term obligations		(7,152)	4,378
	$	497	13,052

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to $20,555 (2018 - $20,908) and are included in employee benefits in the statement of operations.

13. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

(a) Foundations and Volunteer Association:

The Hospital has an economic interest in the Health Sciences North Foundation. The Health Sciences North Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research. At March 31, 2019, the amount owing to the Hospital from the Foundation was $196 (2018 - $318). During the year, the Hospital received donations amounting to $5,988 (2018 - $1,119) from the Health Sciences North Foundation.

The Hospital has an economic interest in the Northern Cancer Foundation. The Northern Cancer Foundation was created for the purpose of promoting and participating in fundraising activities throughout the northeastern Ontario region to support cancer research and cancer care programs of the Northeast Cancer Program. At March 31, 2019, the amount owing to the Hospital from the Foundation was $1,682 (2018 - $2,276). During the year, the Hospital received donations amounting to $Nil (2018 - $647) from the Northern Cancer Foundation.

The Hospital has an economic interest in the Health Sciences North Volunteer Association. The Health Sciences North Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities. At March 31, 2019, the amount owing to the Hospital from the Association was $Nil (2018 - $44).

(In thousands of dollars)

13. Other entities (continued):

(a) Foundations and Volunteer Association (continued):

The Hospital has an economic interest in the NEO Kids Foundation. The NEO Kids Foundation was created for the purpose of promoting and participating in fundraising activities to raise money to support services, equipment, and research for young patients. At March 31, 2019, the amount owing to the Hospital from the Foundation was $234 (2018 - $14). During the year, the Hospital received donations amounting to $166 (2018 - $230) from the NEO Kids Foundation.

(b) Sudbury Hospital Services:

Sudbury Hospital Services provides ware-washing and transportation services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business. The Hospital has significant influence in Sudbury Hospital Services. During the year, the Hospital purchased $2,280 (2018 - $2,281) in ware-washing and transportation services from Sudbury Hospital Services. At March 31, 2019, the amount owing to the Hospital from Sudbury Hospital Services was $Nil (2018 - $767).

(c) Sudbury Vascular Laboratory Ltd.:

Sudbury Vascular Laboratory Ltd. was created to operate a vascular laboratory. The Hospital controls Sudbury Vascular Laboratory Ltd.

As at March 31, 2019, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of $78 (2018 - $162).

Financial information for 2019 was not available at the time of the audit report date.

A summary of the most recently available pertinent financial information of Sudbury Vascular Laboratory Ltd. is as follows:

	2018	2017
Financial position:		
Total assets	$ 362	$ 455
Total liabilities	525	439
Net assets (debt)	(163)	16
	$ 362	$ 455
Results of operations:		
Total revenue	$ 1,523	$ 1,485
Total expenses	1,702	1,737
Deficiency of revenue over expenses	$ (179)	$ (252)

(In thousands of dollars)

13. Other entities (continued):

(c) Sudbury Vascular Laboratory Ltd. (continued):

	2018	2017
Cash flows:		
Cash from operations	$ (171)	$ (127)
Cash from financing and investing activities	119	25
Decrease in cash	$ (52)	$ (102)

(d) Health Sciences North Research Institute:

HSNRI was created on April 1, 2012 to establish a center of excellence in research, education, and training related to health and healthcare delivery. The Hospital has significant influence over HSNRI, a tax-exempt entity without share capital. As at March 31, 2019, HSNRI had total amounts owing to the Hospital of $245 (2018 - $19,238).

14. Contingencies:

(a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(b) Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

(c) Sudbury Hospital Services:

Prior to year-end, the Hospital announced that it would assume responsibility for ware-washing services from Sudbury Hospital Services ("SHS"). In connection with the transfer of services, certain employees of SHS were transferred to the Hospital effective April 1, 2019, while other employees were provided with working notice with respect to the discontinuance of their employment. The Hospital also indicated that it would assume responsibility for the existing net liabilities of SHS, as well as fund future operating losses until such time as the operations of SHS were wound down.

In connection with the announcement, the Hospital has recorded a one-time expense of $1,289 relating to the write-down of amounts owing from SHS as well as management's estimate of the net liabilities assumed from SHS.

Future operating losses funded by HSN will be recorded in the fiscal period in which they are incurred.

15. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2019 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2019 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of the date of an invoice.

There have been no significant changes to the liquidity risk exposure from 2018.