Financial statements of

Casey House

(a not-for-profit charitable corporation)

March 31, 2019

Deloitte.

Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
Casey House

Opinion

We have audited the financial statements of Casey House (the "Hospital"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in unrestricted net assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and the results of its operations, changes in net assets, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital 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.

Other matter

The statement of financial position as at March 31, 2018 and statements of operations and changes in unrestricted net assets, remeasurement gains and losses, and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on June 11, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Hospital'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 Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Hospital 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2019

Casey House

Statement of financial position

As at March 31, 2019

	Notes	2019	2018
		$	$
Assets			
Current assets			
Cash		**3,247,127**	1,518,567
Cash held in Trust		**49,123**	86,883
Accounts and other receivables	5	**1,376,610**	1,311,885
Due from Casey House Foundation	4	**1,908,741**	2,131,650
		6,581,601	5,048,985
Investments	3	**424,245**	800,891
Property and equipment	5 and 6	**43,329,191**	46,363,462
		50,335,037	52,213,338
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13 and 15	**1,233,565**	1,071,345
Mortgage payable	7	**—**	35,447
		1,233,565	1,106,792
Loan payable	8	**—**	1,920,000
Post-retirement benefit obligations	13	**120,700**	138,300
Mortgage payable	7	**—**	473,346
Deferred contributions and grants	9	**42,778,959**	44,911,584
		44,133,224	48,550,022
Contingencies and commitments	15		
Net assets			
Unrestricted		**6,146,912**	3,621,851
Accumulated remeasurement gains		**54,901**	41,465
		6,201,813	3,663,316
		50,335,037	52,213,338

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

Approved by the Board of Directors

______________________________, Director

______________________________, Director

Casey House

Statement of operations and changes in unrestricted net assets

Year ended March 31, 2019

	Notes	2019 $	2018 $
Revenue			
Provincial grants	12 and 14	**8,592,473**	8,466,654
Grants from Casey House Foundation	4 and 9	**79,956**	345,923
Community Care Access Centre billings	11	**10,893**	23,567
Investment income		**46,950**	54,285
Other		**200,035**	211,191
Amortization of deferred capital contributions		**1,485,770**	1,560,608
Realized investment gain		**34**	142
		10,416,111	10,662,370
Expenses			
Salaries and benefits	10	**6,386,174**	6,081,548
General and administrative		**1,179,443**	638,057
Interest		**62,204**	29,428
Pharmaceuticals		**453,219**	542,499
Resident/client care		**256,597**	487,871
Building and maintenance		**592,704**	1,231,924
Amortization of property and equipment		**1,488,678**	1,676,714
		10,419,019	10,688,041
Deficiency of revenue over expenses before the undernoted		**(2,908)**	(25,671)
Gain on sale of 9 Huntley Street	6	**3,163,262**	—
Unamortized deferred capital contributions recognized for sale of 9 Huntley Street		**1,179,707**	—
Donation to Casey House Foundation	4	**(1,815,000)**	—
Excess (deficiency) of revenue expenses for the year		**2,525,061**	(25,671)
Unrestricted net assets, beginning of year		**3,621,851**	3,647,522
Unrestricted net assets, end of year		**6,146,912**	3,621,851

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

Casey House

Statement of remeasurement gains and losses

Year ended March 31, 2019

	2019 $	2018 $
Accumulated remeasurement gains, beginning of year	**41,465**	41,934
Unrealized gains (losses) attributable to investments for the year	**13,402**	(327)
Realized gains (losses) reclassified to statement of operations and changes in unrestricted net assets	**34**	(142)
Net gains (losses) for the year	**13,436**	(469)
Accumulated remeasurement gains, end of year	**54,901**	41,465

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

Casey House
Statement of cash flows
Year ended December 31, 2019

	2019	2018
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**2,525,061**	(25,671)
Items not affecting cash		
Amortization of property and equipment	**1,488,678**	1,676,714
Amortization of deferred capital contributions	**(1,485,770)**	(1,560,608)
Gain on sale of 9 Huntley Street	**(3,163,262)**	—
Unamortized deferred capital contributions recognized for sale of 9 Huntley Street	**(1,179,707)**	—
Realized investment gain	**(34)**	(142)
Investment income reinvested	**—**	(13,537)
Deferred grants recognized as revenue	**(79,956)**	(2,102,325)
Net post-employment benefits cost	**(17,600)**	(17,200)
	(1,912,590)	(2,042,769)
Changes in non-working capital		
Accounts and other receivables	**(64,725)**	(984,806)
Accounts payable and accrued liabilities	**162,220**	(10,219,538)
Due from Casey House Foundation	**222,909**	(936,745)
	(1,592,186)	(14,183,858)
Capital activities		
Purchase of property and equipment	**(49,422)**	(25,114,103)
Net disposal of property and equipment	**83,277**	—
Proceeds on sale of 9 Huntley Street	**4,675,000**	—
	4,708,855	(25,114,103)
Investing activities		
Proceeds on sale of investments	**390,116**	—
Cash held in trust	**37,760**	32,489,055
	427,876	32,489,055
Financing activities		
Net repayment of mortgage principal	**(508,793)**	(34,094)
Loan payable	**—**	1,920,000
Repayment of loan payable	**(1,920,000)**	—
Unspent grants returned	**—**	(182,000)
Deferred contributions and grants received	**612,808**	4,530,368
	(1,815,985)	6,234,274
Increase (decrease) in cash during the year	**1,728,560**	(574,632)
Cash, beginning of year	**1,518,567**	2,093,199
Cash, end of year	**3,247,127**	1,518,567
Supplemental disclosure		
Interest paid	**16,855**	29,428
Property and equipment included in accounts payable and accrued liabilities	**—**	55,370

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

1. Organization

Casey House was incorporated as Casey House Hospice Inc. without share capital on October 28, 1986 under the Ontario Corporations Act to operate a not-for-profit hospice providing palliative and supportive care to people living with HIV/AIDS. On April 29, 2016, an application for supplementary letters patent was approved, changing the name of the organization to Casey House and redefining the object of the corporation as the establishment, maintenance and provision of a comprehensive program for the care, comfort, support and counselling of persons with HIV/AIDS. Casey House is registered as a charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2. Summary of significant accounting policies

Basis of presentation

Management has prepared these financial statements in accordance with Canadian public sector accounting standards including the 4200 series of standards as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

These financial statements include the assets, liabilities and activities of Casey House. The financial statements do not include the activities of Casey House Foundation, which is not controlled by Casey House.

Revenue recognition

Under the Health Insurance Act (Ontario) and the regulations thereto, Casey House is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care (the Ministry or MOHLTC) and the Local Health Integration Network (LHIN). Ministry and LHIN operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Ministry and LHIN grants that are approved but not received at the end of a period are accrued. These financial statements reflect agreed funding arrangements by the Ministry and the LHIN with respect to the year ended March 31, 2019.

Casey House follows the deferral method of accounting for restricted contributions, whereby restricted contributions are recognized as revenue in the same period in which the related expenses are incurred.

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. Contributions restricted for the purchase of property and equipment are amortized into income on the same basis as the associated property and equipment.

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are included on the statement of financial position and are measured either at fair value, cost or amortized cost based on the characteristics of the instrument and Casey House's accounting policy choices.

All financial instruments reported on the statement of financial position of Osler are measured as follows:

Cash	fair value
Investments	fair value
Accounts and other receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost
Loan payable	amortized cost
Mortgage payable	amortized cost
Due from Casey House Foundation	amortized cost

Financial instruments measured at fair value are initially recognized at cost and subsequently carried 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 and changes in unrestricted net assets. Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses, and recognized into the statement of operations and changes in unrestricted net assets. On sale or disposal, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations and changes in unrestricted net assets.

Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write down being recognized in the statement of operations and changes in unrestricted net assets.

Property and equipment

Property and equipment are recorded at acquisition cost, less accumulated amortization. Contributed property and equipment 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. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Building improvements	10 to 40 years
Furniture, fixtures and equipment	3 to 5 years

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Casey House reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of the carrying value over its fair value. Write-downs are not reversed.

Construction-in-progress

Construction-in-progress represents expenditures incurred for projects currently underway. Upon completion, the related construction-in-progress will be transferred to the appropriate property and equipment category and amortization will commence.

Contributed materials and services

A number of volunteers contribute their services to Casey House each year. Since these services are not normally purchased by Casey House and because of the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the notes to the financial statements. Contributed materials are recorded, when received, at fair value.

Leases

Operating lease costs are recognized as an expense on a straight-line basis over the life of the lease.

Employee future benefits

Employee future benefits relate to life insurance, health and dental benefits paid to employees post-employment with Casey House. The plan is unfunded. The accrued benefit obligation and the current service cost were actuarially determined using the projected benefit method pro-rated on service and based on management’s best estimates of 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 Casey House’s cost of borrowing consistent with the specific rates of interest and periods committed to by Casey House on amounts borrowed. Actuarial gains and losses are amortized over the remaining service lives of the employees. Past service costs are expensed when incurred.

Adjustments arising from plan amendments are recognized in the year when the plan amendments occur.

Sick days that accumulate, but do not vest, are accrued for as an employee benefit.

Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 amount of revenues and expenses during the reporting period. Estimates are used when accounting for a number of items including, but not limited to collectability of accounts and other receivables, property and equipment, accounts payable and accrued liabilities and employee future benefits. Actual results could differ from those estimates.

3. Investments

	2019	2018
	$	$
Redeemable investment certificate	**104,853**	494,853
Money Market Fund	**117,841**	116,585
Canadian Bond Fund	**201,551**	189,453
	424,245	800,891

The Money Market Fund has an average term to maturity of 55 days (0.15 year) and a yield of 1.66%. The Canadian Bond Fund has an average term to maturity of 10.46 years and a yield to maturity of 2.31%.

4. Economic interest – Casey House Foundation

Casey House has an economic interest in Casey House Foundation (the Foundation). The Foundation was established to provide financial support for the capital and operating expenditures of Casey House that are not otherwise funded. The Foundation is registered as a charitable foundation within the meaning of the Income Tax Act (Canada). Funding provided by the Foundation to Casey House during the year are as follows:

	2019	2018
	$	$
Operating grant	**251,146**	345,216
Redevelopment grant	**11,662**	700,000
Capital grant (roof top garden)	**350,000**	34,801
Total grants	**612,808**	1,080,017

The amount due from the Foundation of $1,908,741 ($2,131,650 in 2018) represents grants awarded but not received as at the year-end date.

During the year ended March 31, 2019, Casey House sold a sculpture in the amount $70,679 ($Nil in 2018) to the Foundation. This sale was included in Other revenue on the statement of operations and changes in unrestricted net assets.

During the year ended March 31, 2019, Casey House made an unrestricted donation of $1,815,000 ($Nil in 2018) to the Foundation.

These transactions measured at the exchange amount, which is the amount of consideration established and agreed to by both parties.

5. Property and equipment

	Land	Buildings	Building improvements	Furniture, fixtures and equipment	Artwork	Construction-in-progress	Total
	$	$	$	$	$	$	$
Cost of purchases							
As at March 31, 2018	2,141,466	44,503,616	3,111,632	1,906,472	42,167	—	51,705,353
Additions	—	—	—	49,422	—	—	49,422
Disposal/Writedown	(417,235)	(1,125,660)	(3,111,632)	(46,200)	(42,167)	—	(4,742,894)
As at March 31, 2019	**1,724,231**	**43,377,956**	**—**	**1,909,694**	**—**	**—**	**47,011,881**
Accumulated amortization							
As at March 31, 2018	—	2,504,216	2,263,739	573,936	—	—	5,341,891
Amortization	—	1,089,066	—	399,612	—	—	1,488,678
Disposal/Writedown	—	(884,140)	(2,263,739)	—	—	—	(3,147,879)
As at March 31, 2019	—	2,709,142	—	973,548	—	—	3,682,690
Net book value							
As at March 31, 2019	**1,724,231**	**40,668,814**	**—**	**936,146**	**—**	**—**	**43,329,191**

5. Property and equipment (continued)

	Land $	Buildings $	Building improvements $	Furniture, fixtures and equipment $	Artwork $	Construction-in-progress $	Total $
Cost of purchases							
As at March 31, 2017	2,141,466	2,308,061	3,103,226	363,147	42,167	37,337,537	45,295,604
Additions	—	42,195,555	8,406	1,543,325	—	(37,337,537)	6,409,749
Writedown	—	—	—	—	—	—	—
As at March 31, 2018	2,141,466	44,503,616	3,111,632	1,906,472	42,167	—	51,705,353
Accumulated amortization							
As at March 31, 2017	—	1,333,925	2,117,834	213,418	—	—	3,665,177
Amortization	—	—	—	—	—	—	—
Writedown	—	1,170,291	145,905	360,518	—	—	1,676,714
As at March 31, 2018	—	2,504,216	2,263,739	573,936	—	—	5,341,891
Net book value							
As at March 31, 2018	2,141,466	41,999,400	847,893	1,332,536	42,167	—	46,363,462

Casey House, operating as a hospital at 119 Isabella Street, has 14 beds in-patient, and a day health program.

Included in accounts and other receivables as at March 31, 2019 is a holdback owing from MOHLTC with respect to the redevelopment project. The holdback amount represents management's best estimate of the minimum amount that will be released and provided to Casey House on final reconciliation of the capital costs for the redevelopment project. In fiscal 2020, Casey House will present to the MOHLTC the final reconciliation of costs incurred related to the development project and will record additional amounts, if any, which could be material, once agreed and approved with the MOHLTC.

6. Sale of 9 Huntley Street

Casey House and the City of Toronto entered into a purchase and sale agreement, related to the sale of 9 Huntley Street, on January 18, 2018, pursuant to subsection 4(4) of the Public Hospitals Act, which was approved by the Ministry for $4,675,000. The sale closed on June 5, 2018.

7. Mortgage payable

The mortgage principle balance of $508,793 was paid off in August 2018.

8. Loan payable

In May 2017, Casey House obtained a loan of $1,920,000 to assist in financing the remaining costs associated with the redevelopment project. In August 2018, $1,110,000 of the outstanding loan was paid off and $810,000 of the outstanding loan was paid off in December 2018.

9. Deferred contributions and grants

			2019	2018
	Deferred Contributions	**Deferred Grants**	**Total**	Total
	$	**$**	**$**	$
Balance, beginning of year	**44,222,261**	**689,323**	**44,911,584**	44,226,149
Contributions received and grants approved during the year				
MOHLTC operating grant	**—**	**—**	**—**	2,122,000
Foundation capital grant	**350,000**	**—**	**350,000**	508,368
Foundation redevelopment grant	**1,662**	**10,000**	**11,662**	1,200,000
Foundation operating grant	**—**	**251,146**	**251,146**	700,000
Unspent grants returned	**—**	**—**	**—**	(182,000)
Foundation grants spent on approved projects	**—**	**(79,956)**	**(79,956)**	—
Other grants spent on approved projects	**—**	**—**	**—**	(2,102,325)
Amortization of deferred capital contributions	**(1,485,770)**	**—**	**(1,485,770)**	(1,560,608)
Unamortized deferred capital contributions recognized for the sale of 9 Huntley Street	**(1,179,707)**	**—**	**(1,179,707)**	—
Balance, end of year	**41,908,446**	**870,513**	**42,778,959**	44,911,584

9. Deferred contributions and grants (continued)

Included in the deferred grants above is $11,587 ($3,331 in 2018) of unspent grants from the MOHLTC Health Infrastructure Renewal Fund (HIRF) grant for minor capital projects that extend the useful life of the facility or improve the facility's quality or functionality.

	2019	2018
	$	$
Unspent HIRF grant, beginning of year	**3,331**	37,466
Grants received during the year	**8,256**	11,587
Unspent grants returned	**—**	(37,313)
Grants spent on approved projects	**—**	(8,409)
Unspent HIRF grant, end of year	**11,587**	3,331

10. Pension plan

Employees of Casey House are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer final average pay contributory pension plan. Defined contribution plan accounting is applied to the multi-employer defined benefit plan whereby contributions are expensed when due. Contributions made to HOOPP during the year are included in salaries and benefits in the statement of operations and changes in unrestricted net assets and amounted to $388,546 ($350,078 in 2018).

11. Community program

Operating results for the community program, which are included in the statement of operations and changes in unrestricted net assets, are as follows:

	2019	2018
	$	$
Revenue		
Grants from Casey House Foundation	**54,956**	297,903
Community Care Access Centre billings	**10,893**	23,567
	65,849	321,470
Expenses		
Salaries and benefits	**36,240**	281,409
Administrative	**25,555**	36,576
Enhanced services (i)	**4,054**	3,485
	65,849	321,470
Excess of revenue over expenses	**—**	—

(i) Enhanced services include primarily personal support workers and complementary therapies.

12. AIDS Bureau grant for community education program

Provincial grants include funding from the AIDS Bureau to support Casey House's Community Education program.

	2019 $	2018 $
Funds received	**97,312**	95,912
Salaries and benefits	**90,400**	89,941
Supplies and other expenses	**6,912**	5,971
Total distribution	**97,312**	95,912
Funds received in excess of distributions	**—**	—

13. Post-retirement benefit obligations

Casey House's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from Casey House 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, 2019.

As at March 31, 2019, the accrued sick leave obligation amounted to $58,393 ($33,592 in 2018) is included in accounts payable and accrued liabilities on the statement of financial position.

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

	2019 $	2018 $
Accrued benefit obligations	**69,100**	92,400
Unamortized actuarial gains	**51,600**	45,900
Post-retirement benefit obligations	**120,700**	138,300

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

	2019 $	2018 $
Post-retirement obligations, April 1	**138,300**	155,500
Pension expense for the year		
Current service cost	**10,300**	8,000
Amortization of actuarial gains	**(8,700)**	(7,500)
Interest cost	**2,100**	2,500
	3,700	3,000
Benefits paid	**(21,300)**	(20,200)
Post-retirement benefit obligations, as at March 31	**120,700**	138,300

13. Post-retirement benefit obligations (continued)

The significant actuarial assumptions adopted in measuring Casey House's accrued post-retirement benefit obligations are as follows:

	2019	2018
Discount rate, beginning of year	**2.8%**	2.5%
Discount rate, end of year	**2.6%**	2.8%
Take-up rates	**100.0%**	100.0%
Attribution period	**15 years**	12 years

The assumed dental care cost trend used in determining the benefit expense is 3% for 2019 to 2023 (3.0% in 2018) and increasing to an annual rate of 4.75% in 2029 and 2030, and decreasing to an ultimate rate of 3.57% in 2040. The assumed extended health-care cost trend used in determining the benefit expense is 5.25% for 2019 to 2023 (6.0% in 2018) and decreasing annually to an ultimate rate of 3.57% in 2040.

14. Economic dependence

Casey House is dependent on the LHIN for the majority of its operating funds. Provincial grants recognized in the year were $8,607,746 ($8,466,654 in 2018) or 83% (79% in 2018) of Casey House's total revenue.

15. Contingencies and commitments

Letters of credit

Casey House has invested in two short-term investment certificates to serve as securitization for two letters of credit in favour of the City of Toronto for costs related to the redevelopment project. The letters of credit are for $10,000 and $93,864 and secure the cost of restoration work on the heritage building and site landscaping, respectively.

Development contract

In May 2019, Casey House and the architect of the redevelopment project have received a Notice of Action from a contractor for additional amounts owing in the amount of $5,973,978 in connection with the redevelopment project. Management believes the claim is without merit. No amount has been accrued in relation to this claim.

16. Financial instruments and risk management

Establishing fair value

The carrying value of cash, accounts and other receivables, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

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

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

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

Investments consisting of pooled funds were measured as Level 2 financial instruments.

Risk management

Casey House is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Casey House's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Casey House's financial performance. Casey House is exposed to market risk with regard to its pooled fund investments, which are regularly monitored.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include two types of risk: interest rate risk and equity risk.

- *Interest rate risk*

  Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- *Equity risk*

  Equity risk is the risk that the fair value of equity investments will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Casey House is exposed to equity risk through its portfolio investments.

16. Financial instruments and risk management (continued)

Credit risk

Credit risk arises from cash and investments held with financial institutions and credit exposures to patients on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit rating agencies minimizing any potential exposure to credit risk. Casey House is exposed to credit risk in the event of non-payment by patients for non-insured services and services provided to non-resident patients. This risk is common to hospitals as they are required to provide care for patients regardless of their ability to pay for services.

As at March 31, 2019, all accounts receivable are current. None of the receivables are past due or impaired.

Liquidity risk

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

17. Comparative figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.