

Financial Statements of

**HÔTEL-DIEU GRACE
HEALTHCARE**

Year ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

We have audited the accompanying financial statements of Hôtel-Dieu Grace Healthcare, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net assets, cash flows and rereasurement of gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained 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 Hôtel-Dieu Grace Healthcare as at March 31, 2014, its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 29, 2014
Windsor, Canada

HÔTEL-DIEU GRACE HEALTHCARE

STATEMENT OF FINANCIAL POSITION

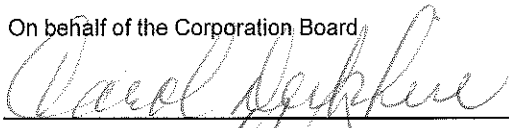
[in thousands of dollars]

As at March 31, 2014, with comparative information for 2013

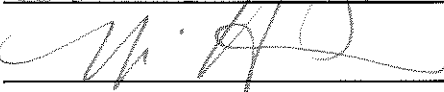
	2014	2013
	\$	\$
Assets		
Current assets:		
Cash	16,087	21,175
Accounts receivable (note 3, 10 and 18)	18,173	7,267
Inventories (note 18)	228	813
Prepaid expenses and deposits (note 18)	318	1,385
	<u>34,806</u>	<u>30,640</u>
Restricted cash and investments (note 4)	19,402	15,607
Capital assets, net (note 5, note 18)	250,436	116,464
	<u>304,644</u>	<u>162,711</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6, 17 and 18)	35,152	40,313
Current portion of term loan (note 7)	508	482
	<u>35,660</u>	<u>40,795</u>
Long-term liabilities:		
Term loan (note 7)	1,325	1,832
Accrued sick leave liability (note 18)	2,595	2,675
	<u>3,920</u>	<u>4,507</u>
Accrued benefit liability (note 8)	9,845	15,786
Deferred capital contributions (note 9, note 18)	210,521	67,055
Net assets:		
Unrestricted	(19,409)	(28,134)
Contributed Surplus- Prince Road Building (note 18)	6,623	-
Invested in capital assets (note 11 (a))	38,082	47,095
Board restricted (note 4)	19,335	15,350
	<u>44,631</u>	<u>34,311</u>
Accumulated remeasurement gains	67	257
	<u>44,698</u>	<u>34,568</u>
Commitments and contingencies (notes 13, 14, 16 and 17)		
	<u>304,644</u>	<u>162,711</u>

See accompanying notes to financial statements.

On behalf of the Corporation Board



Board Chair



Board Treasurer

HÔTEL-DIEU GRACE HEALTHCARE

STATEMENT OF OPERATIONS

[in thousands of dollars]

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
	\$	\$
Revenue:		
Ontario Ministry of Health and Long-Term Care	154,389	222,450
Ontario Ministry of Children and Youth Services	5,261	-
Other Patient Revenues	4,561	5,738
Other Revenues & Recoveries	7,365	7,312
Grant Amortization	938	917
	172,514	236,417
Expenses:		
Salaries and Purchased Services	87,051	112,543
Employee Benefits	20,737	26,398
Medical Staff	15,660	28,009
Medical & Surgical Supplies	11,045	20,095
Drugs & Medical Gases	5,039	9,531
Supplies & Facilities Expense	24,111	28,687
Amortization	3,893	6,819
	167,536	232,082
Excess of revenues over expenses for the year before other items	4,978	4,335
Other items (note 15)	384	(128)
Excess of revenues over expenses for the year per Ministry of Health purposes	5,362	4,207
Interest, net building and land improvements amortization	(1,665)	(1,423)
Excess of revenues over expenses for the year	3,697	2,784

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31, 2014, with comparative information for 2013

	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
	\$		\$	\$	\$
March 31, 2014					
Balance, beginning of year	(28,134)	-	47,095	15,350	34,311
Contributed Surplus- Prince Road building (note 18)	-	6,623	-	-	6,623
Excess of revenues over expenses for the year (note 11 (b))	8,208	-	(4,511)	-	3,697
Invested in capital assets (note 11(b))	4,502	-	(4,502)	-	-
Net transfer to Board restricted from unrestricted	(3,985)	-	-	3,985	-
Balance, end of year	(19,409)	6,623	38,082	19,335	44,631
	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
	\$		\$	\$	\$
March 31, 2013					
Balance, beginning of year	(30,455)	-	49,382	12,815	31,742
Adjustment on adoption of the financial instruments standard (note 2)	-	-	-	(215)	(215)
Balance, beginning of the year, as restated	(30,455)	-	49,382	12,600	31,527
Excess of revenues over expenses for the year (note 11 (b))	9,976	-	(7,192)	-	2,784
Invested in capital assets (note 11(b))	(4,905)	-	4,905	-	-
Net transfer to Board restricted from unrestricted	(2,750)	-	-	2,750	-
Balance, end of year	(28,134)	-	47,095	15,350	34,311

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
	\$	\$
OPERATING ACTIVITIES:		
Excess of revenues over expenses for the year	3,697	2,784
Add (deduct) non-cash items:		
Amortization of capital assets	11,063	9,996
Amortization of deferred capital contributions	(6,552)	(2,804)
(Gain) loss on disposal of capital assets	310	274
Unrealized gain/(loss) on investments	(190)	42
Change in accrued benefit liability	(5,941)	1,040
	2,387	11,332
Net change in non-cash working capital balances	(767)	1,744
	1,620	13,076
CAPITAL ACTIVITIES:		
Purchase of capital assets	(5,715)	(9,822)
Proceeds on disposal of capital assets	-	10
Deferred capital contributions received	3,283	5,315
	(2,432)	(4,497)
FINANCING ACTIVITIES:		
Deferred donation transfer to Hôtel-Dieu Grace Hospital Foundation	-	(224)
Repayment of long-term loan	(481)	(458)
	(481)	(682)
INVESTING ACTIVITIES:		
Net increase in restricted cash and investments	(3,795)	(2,792)
Net increase in cash during the year	(5,088)	5,105
Cash, beginning of year	21,175	16,070
Cash, end of year	16,087	21,175

See accompanying notes to financial statements

HÔTEL-DIEU GRACE HEALTHCARE

**STATEMENT OF REMEASUREMENT
GAINS AND LOSSES**

[in thousands of dollars]
Year ended March 31, 2014

	2014	2013
	\$	\$
Accumulated remeasurement gains, beginning of the year	257	-
Adjustment on adoption of the financial instruments standard (note 2)	-	215
	257	215
Unrealized gains/(losses) attributable to:		
Long-term investments	(190)	42
Accumulated remeasurement gains, end of the year	67	257

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

ORGANIZATIONAL STRUCTURE

Hôtel-Dieu Grace Hospital (the "Hospital") was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1 2013, the Hospital and Windsor Regional Hospital ("WRH") completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all post acute care services.

With this change in services and role, the transfer of the Prince Road site to the Hospital, and the transfer of the Ouellette site to WRH, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH"). This change in name reflects the new role for HDGH and recognizes that the Prince Road site is now part of a new free standing organization.

Creating this new free standing organization involved the development and execution of a transition plan that included:

- Forging a new management team
- Creating new corporate and administrative structure and processes
- Transitioning staff, accounting and payroll, information systems etc
- Assuming responsibility for day-to-day operations
- Becoming familiar with staff, culture, clinical/operational processes
- Identifying and mitigating risks
- Working through the public sector labor relations transition process
- Preparing for a new fiscal year- operating/capital budgets, Quality Improvement Plan
- Developing and executing a site commissioning plan that focused on Catholic identity for the new site as it transitioned from a secular site to a faith based site

Note 18 provides further details of the transfer agreement.

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health and Long-Term Care as well as the Ministry of Children and Youth Services. Both are referred to as "the Ministry". Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Hospital funding is provided primarily through three funding streams; namely Health Based Allocation Model (HBAM), Global Funding and Quality Based Procedures (QBP) funding. Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. Funding received from the Ministry of Children and Youth Services is to be returned if unspent by the end of the fiscal year. Other Vote funding is also to be returned if unspent by the end of the fiscal year. As well, the Ministry's stated policy is that deficits incurred by HDGH will not be funded.

(b) Revenue recognition

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

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 that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Revenue from the Ministry, preferred accommodations, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(c) Inventory

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

(d) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

A full year's amortization is recorded in the year of acquisition.

(e) Impairment of long-lived assets

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay

Vacation pay entitlements are charged to income on an accrual basis.

(g) Defined benefit multi-employer pension plan

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

(h) Accrued post employment benefits

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 14 years.

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

Curtailment gains or losses are immediately recognized as either a reduction or increase to employee future benefit expense.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

(i) Financial instruments

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

Unrealized changes in fair value 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 other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

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

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

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

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

(j) Contributed services

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

(k) 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 amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities and certain other accrued liabilities. Actual results could differ from those estimates.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

2. FUTURE CHANGE IN ACCOUNTING POLICY

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

HDGH is currently evaluating the impacts of these future accounting changes on the financial statements.

3. ACCOUNTS RECEIVABLE

	2014	2013
Ontario Ministry of Health and Long-Term Care – operating and capital grants	\$ 823	\$ 2,013
Ontario Ministry of Children and Youth Services	5,187	-
WRH (note 18)	10,607	87
Other	2,608	5,964
	19,225	8,064
Less allowance for doubtful accounts	1,052	797
	\$ 18,173	\$ 7,267

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

4. BOARD RESTRICTED NET ASSETS

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

	2014	2013
Board restricted net assets, beginning of year	\$ 15,607	\$ 12,815
Add (deduct):		
Interest and realized gains	288	255
Capital grants and donations received	-	224
Transfer to unrestricted cash	-	(5)
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	-	(224)
Transfer to restricted cash	3,697	2,500
Unrealized gain/(loss) on investments	(190)	42
Board restricted net assets, end of year	\$ 19,402	\$ 15,607

The Board restricted net assets is comprised of:

	2014	2013
Capital grants	\$ 6,066	\$ 5,954
Unspent capital donations	1	1
Restricted cash reserves	13,268	9,395
Unrealized gain on investments	67	257
Board restricted net assets, end of year	\$ 19,402	\$ 15,607

The Board restricted net assets includes the following investments:

	2014	2013
Cash on deposit	\$ 9,064	\$ 3,547
Provincial and bank bonds and guaranteed investment certificates (yields between 2.0% and 3.5%, maturities between June 21, 2014 and November 2, 2015)	2,551	4,217
Other investments consisting of a professionally managed portfolio of canadian corporate bonds with varying yields and maturities	7,752	7,788
Accrued interest	35	55
Board restricted net assets, end of year	\$ 19,402	\$ 15,607

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

5. CAPITAL ASSETS

March 31, 2014	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,065	\$ 5,686
Buildings and building service equipment	288,866	54,943	233,923
Equipment	3,870	857	3,013
Construction in progress	7,814	-	7,814
	<u>\$ 307,301</u>	<u>\$ 56,865</u>	<u>\$ 250,436</u>
March 31, 2013	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,044	\$ 5,707
Buildings and building service equipment	134,883	47,795	87,088
Equipment	129,058	111,561	17,497
Construction in progress	6,172	-	6,172
	<u>\$ 276,864</u>	<u>\$ 160,400</u>	<u>\$ 116,464</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$1,344 (2013 - \$2,091), which include amounts for payroll related matters.

7. TERM LOAN

In 1998, HDGH entered into a term loan agreement with the Royal Bank to finance the parking garage. As collateral, HDGH has provided the legal assignment of revenue derived from parking operations. On July 31, 2007, the loan was renewed with the Royal Bank bearing interest at 5.18% with monthly payments of \$49. The term of the loan is ten years with an amortization period of ten years. The scheduled repayments on this loan are as follows:

	2014	2013
2014	\$ -	\$ 591
2015	591	591
2016	591	591
2017	591	591
2018 and thereafter	228	228
	<u>2,001</u>	<u>2,592</u>
Less: Amount representing interest	168	278
	<u>1,833</u>	<u>2,314</u>
Less: Current portion of term loan	(508)	(482)
	<u>\$ 1,325</u>	<u>\$ 1,832</u>

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

8. ACCRUED BENEFIT LIABILITY

HDGH provides post employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation has been performed as at March 31, 2014.

The significant actuarial assumptions adopted in estimating HDGH's accrued benefit obligation are as follows:

	2014	2013
Discount rate	4.0%	3.75%
Dental benefits cost escalation	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .25% per annum to ultimate rate of 5% commencing in 2015)	7.0%	7.0%

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2014 is \$9,845 (March 31, 2013 - \$15,786) amount is comprised of:

	2014	2013
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 14,075	\$ 16,304
Actuarial loss (gain) during the year	1,671	(3,159)
Benefits paid by HDGH during the year	(501)	(575)
Interest	467	675
Current service cost	505	830
Plan Curtailment	(10,470)	-
Plan Amendment	4,156	-
Funded balance – deficit, end of year	9,903	14,075
Unamortized actuarial gain (loss)	(58)	1,711
Accrued benefit liability, end of year	\$ 9,845	\$15,786

HDGH's net benefit expense is as follows:

	2014	2013
Current service cost	\$ 505	\$ 830
Interest	467	675
Amortization of net actuarial losses	87	110
	\$ 1,059	\$ 1,615

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2014	2013
Deferred capital contributions, beginning of year	\$ 67,055	\$ 64,768
Add:		
MOHLTC capital grants received in the year	2,597	4,461
Hôtel-Dieu Grace Hospital Foundation donation	10	430
Grants & donations transferred from WRH	148,455	-
Deferred general donations (net)	676	424
	218,793	70,083
Less:		
Amortization of capital contributions	(6,552)	(2,804)
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	-	(224)
Transfer of grants and donations to WRH	(1,720)	-
	\$ 210,521	\$ 67,055

The balance consists of the following:

	2014	2013
Ministry of Health and Long-Term Care	\$ 198,123	\$ 54,527
Windsor-Essex County Hospitals Foundation	9,608	9,988
Hôtel-Dieu Grace Hospital Foundation donations	778	1,931
Deferred general donations	2,012	609
	\$ 210,521	\$ 67,055

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

10. HÔTEL-DIEU GRACE HOSPITAL FOUNDATION

The Hotel-Dieu Grace Hospital Foundation, (the "Foundation"), was established to receive and maintain funds which benefit HDGH. The Foundation is independent from HDGH. Following the announcement by WRH and HDGH of an October 1, 2013 realignment of hospital services, subsequent to year end, both hospital Foundations have made the decision to merge in fiscal 2014-2015.

During 2014, HDGH transferred no amount (2013 - \$224) of deferred donations to the Foundation. Also during 2014, the Foundation donated \$10 (2013 - \$430) to HDGH for the purposes of purchasing medical equipment and renovations. At the year end, the Foundation owes HDGH \$414 (2013 - \$516) which is comprised of the following:

	2014	2013
Advances outstanding	\$ 516	\$ 519
Less: repayment	100	50
	416	469
Services provided during the year	226	593
Less: amounts recovered	228	546
	(2)	47
	\$ 414	\$ 516

This amount is included in accounts receivable.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

11. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	2014	2013
Capital assets	\$ 250,436	\$ 116,464
Less amounts financed by:		
Deferred capital contributions	(210,521)	(67,055)
Term loan	(1,833)	(2,314)
	<u>\$ 38,082</u>	<u>\$ 47,095</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2014	2013
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,552	\$ 2,804
Amortization of capital assets	(11,063)	(9,996)
	<u>\$ (4,511)</u>	<u>\$ (7,192)</u>
Invested in capital assets:		
Purchase of capital assets	\$ 5,715	\$ 9,822
Assets transferred to WRH (note 18)	(16,393)	-
Assets transferred from WRH (note 18)	156,023	-
Disposal of capital assets	(310)	(284)
Amounts funded by capital grants	(2,597)	(4,661)
Deferred donations (net)	(676)	(224)
Hôtel-Dieu Grace Hospital Foundation donation	(10)	(430)
Repayment of term loan	481	458
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	-	224
Grants and donations transferred from WRH (note 18)	(148,455)	-
Grants and donations transferred to WRH (note 18)	1,720	-
	<u>(4,502)</u>	<u>4,905</u>
Net change in investment in capital assets	<u>\$ (9,013)</u>	<u>\$ (2,287)</u>

12. PENSION PLAN

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$6,620 (2013 - \$8,521). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2013 indicates the plan is fully funded.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

13. OPERATING LEASES

Under the terms of the various non-capital equipment leases expiring through 2017, HDGH is committed to lease payments aggregating approximately as follows:

2015	\$	575
2016		575
2017		575

14. CAPITAL COMMITMENTS

HDGH has committed to capital expenditures of \$472 which will be incurred over the next fiscal year. The expenditures will be funded through both operating and capital grants.

15. OTHER ITEMS

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

	2014	2013
One time and deferred revenue from prior years' operations	\$ -	\$ 1,614
Termination accruals	(469)	(1,742)
Realignment expenses	(1,261)	-
Pre-Realignment Closing of Accrued Benefit Liability (note 8)	10,470	-
Funding of Net Post Employment Increase due to September 30 Transfer to WRH	(4,200)	-
Transfer of Accrued Benefit Liability from WRH Following Realignment (note 8)	(4,156)	-
	\$ 384	\$ (128)

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

16. CONTINGENCIES

Due to the nature of its operations, HDGH is periodically subject to lawsuits in which HDGH is named defendant, as well as subject to grievances and claims or potential claims filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations of HDGH.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person's reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2014.

17. TRANSFORM

HDGH, along with the other four hospitals within the Erie St. Clair LHIN, entered into an agreement in 2013 that resulted in the amalgamation of Consolidated Health Information Services and PROcure into a non-share capital, not for profit corporation named TransForm.

HDGH is also responsible for 22.5% of the start up loan relating to this organization, and has provided a guarantee for this amount. HDGH paid to PROcure \$208 (2013 - \$208) toward its share of the loan during the year. The balance of the loan at March 31, 2014 is \$269 (2013 - \$465) and is included in accounts payable.

TransForm is a shared services organization that currently provides Information Technology/Information Systems services and purchasing and payments services at rates designated to reflect the costs and expenses incurred by TransForm in the normal course of business. Annual operating expenses are allocated between the five participating organizations based on the provincial government funding provided to each hospital as of the most recent fiscal year. In addition, HDGH contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, HDGH paid \$1,423 (2013 - \$1,965) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$737 (2013 - \$945) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2014 is \$1,396 (2013 - \$3,528 and has been included in accounts payable.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

18. PROGRAM REALIGNMENT

The Ministry of Health and Long Term Care has approved a capital grant of up to \$2.5 million to support the preliminary planning on the program and service scope of a proposed new single site acute care hospital facility to service Windsor Essex. The cash in relation to this grant was received and recorded at HDGH in fiscal 2013-14.

One of the requirements was for the two Windsor Hospitals to determine the governance model for the proposed acute care hospital. The board of WRH and the board of HDGH approved a resolution that WRH would govern and manage all acute care services and HDGH would govern and manage all post acute services. On October 1 2013, HDGH and WRH completed this transfer of programs.

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99 year period for nominal consideration. The long term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of \$6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for 7 years, with option to extend for another 14 years less one day, for nominal consideration. WRH is funding the outstanding term loan in connection with the parking garage (see note 7). All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

HÔTEL-DIEU GRACE HEALTHCARE

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2014

The program re-alignment resulted in significant transfers of human resources and assets between organizations. Approximately 1,000 employees were transferred to HDGH from WRH and 1,800 employees transferred from HDGH. Approximately \$7,083 in net assets were also transferred from HDGH to WRH as of September 30, 2013 and is owing from WRH as accounts receivable at year end. As of March 31, 2014, HDGH has recorded a receivable from WRH of \$10,607 and payable to WRH of \$8,398 in relation to all re-alignment transactions including the September 30, 2013 balance sheet transfer.

**Summary of Balance Sheet Transactions in Which Cash Settlement Occurred
(IN THOUSANDS OF DOLLARS)
As of September 30, 2013**

	WRH Transfer to HDGH	HDGH Transfer to WRH
Cash	\$ 7	\$ 20
Prepays	165	1,481
Inventory	139	758
Equipment	3,530	16,393
Total Assets to Transfer	3,841	18,652
Trade Liabilities	\$ 164	\$ 303
Accrued Vacation and Benefits	3,604	7,385
Accrued Overtime and Holiday	-	388
Deferred Grants	2,585	1,721
Net Post Employment Benefits	-	4,200
Sick Leave	2,374	2,458
Total Liabilities	8,727	16,455
Net Cash to pay to HDGH (Receivable) from HDGH	\$ 4,886	\$ 2,197
Total Owing to HDGH		\$ 7,083

