

Financial Statements of

**HÔTEL-DIEU GRACE HOSPITAL,
WINDSOR**

Years ended March 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To Hotel-Dieu Grace Hospital, Windsor

We have audited the accompanying financial statements of Hotel-Dieu Grace Hospital, Windsor, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, the statement of remeasurement gain and losses for the year ended March 31, 2013, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hotel-Dieu Grace Hospital, Windsor as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations, and its cash flows for the years ended March 31, 2013 and March 31, 2012 and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 29, 2013
Windsor, Canada

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]

As at March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Assets			
Current assets:			
Cash	21,175	16,070	12,595
Short-term investments	-	119	118
Accounts receivable (note 3 and 10)	7,267	7,490	9,380
Inventories	813	892	789
Prepaid expenses and deposits	1,385	1,468	1,511
	<u>30,640</u>	<u>26,029</u>	<u>24,393</u>
Restricted cash and Investments (note 4)	15,607	12,815	12,248
Capital assets, net (note 5)	116,464	116,922	116,994
	<u>162,711</u>	<u>155,766</u>	<u>153,635</u>
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 6 and 17)	40,313	39,072	35,692
Current portion of term loan (note 7)	482	458	435
	<u>40,795</u>	<u>39,530</u>	<u>36,127</u>
Long-term liabilities:			
Term loan (note 7)	1,832	2,314	2,772
Accrued sick leave liability	2,675	2,666	2,868
	<u>4,507</u>	<u>4,980</u>	<u>5,640</u>
Accrued benefit liability (note 8)	15,786	14,746	12,123
Deferred capital contributions (note 9)	67,055	64,768	65,730
Net assets:			
Unrestricted	(28,134)	(30,455)	(26,290)
Invested in capital assets (note 11 (a))	47,095	49,382	48,057
Board restricted (note 4)	15,350	12,815	12,248
	<u>34,311</u>	<u>31,742</u>	<u>34,015</u>
Accumulated rereasurement gains	257	-	-
	<u>34,568</u>	<u>31,742</u>	<u>34,015</u>
Commitments and contingencies (notes 13, 14, 16 and 17)			
	<u>162,711</u>	<u>155,766</u>	<u>153,635</u>

See accompanying notes to financial statements.

On behalf of the Corporation


 _____ Member of the Corporation

 _____ Director of the Corporation

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

STATEMENTS OF OPERATIONS

[in thousands of dollars]
Years ended March 31, 2013 and 2012

	2013	2012
	\$	\$
Revenue:		
Ontario Ministry of Health and Long-Term Care	222,450	212,807
Other Patient Revenues	5,738	5,512
Other Revenues & Recoveries	7,312	7,889
Grant Amortization	917	1,055
	<u>236,417</u>	<u>227,263</u>
Expenses:		
Salaries and Purchased Services	112,543	107,124
Employee Benefits	26,398	26,906
Medical Staff	28,009	27,697
Medical & Surgical Supplies	20,095	20,525
Drugs & Medical Gases	9,531	8,912
Supplies & Facilities Expense	28,687	29,843
Amortization	6,819	7,244
	<u>232,082</u>	<u>228,251</u>
Excess (deficiency) of revenues over expenses for the year before other items	4,335	(988)
Other items (note 15)	(128)	(193)
Excess (deficiency) of revenues over expenses for the year per Ministry of Health purposes	4,207	(1,181)
Interest, net building and land improvements amortization	(1,423)	(1,311)
Excess (deficiency) of revenues over expenses for the year	<u>2,784</u>	<u>(2,492)</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

STATEMENTS OF CHANGES IN NET ASSETS

[in thousands of dollars]
Years ended March 31, 2013 and 2012

	Unrestricted	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

	Unrestricted	Invested in Capital Assets	Board Restricted	Total
March 31, 2012	\$	\$	\$	\$
Balance, beginning of year (note 19)	(26,290)	48,057	12,248	34,015
Deficiency of revenues over expenses for the year (note 11 (b))	4,851	(7,343)	-	(2,492)
Invested in capital assets (note 11(b))	(8,668)	8,668	-	-
Net transfer to Board restricted from unrestricted	(348)	-	348	-
Unrealized gain on investments	-	-	219	219
Balance, end of year	(30,455)	49,382	12,815	31,742

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

STATEMENTS OF CASH FLOWS

[in thousands of dollars]
Years ended March 31, 2013 and 2012

	2013	2012
	\$	\$
OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses for the year	2,784	(2,492)
Add (deduct) non-cash items:		
Amortization of capital assets	9,996	10,282
Amortization of deferred capital contributions	(2,804)	(2,939)
(Gain) loss on disposal of capital assets	274	(38)
Unrealized gain on investments	42	219
Change in accrued benefit liability	1,040	2,623
	<u>11,332</u>	<u>7,655</u>
Net change in non-cash working capital balances	1,744	5,017
	<u>13,076</u>	<u>12,672</u>
CAPITAL ACTIVITIES:		
Purchase of capital assets	(9,822)	(10,211)
Proceeds on disposal of capital assets	10	39
Deferred capital contributions received/receivable	5,315	1,997
	<u>(4,497)</u>	<u>(8,175)</u>
FINANCING ACTIVITIES:		
Deferred donation transfer to Hôtel-Dieu Grace Hospital Foundation	(224)	(20)
Repayment of long-term loan	(458)	(435)
	<u>(682)</u>	<u>(455)</u>
INVESTING ACTIVITIES:		
Net increase in restricted cash and investments	(2,792)	(567)
Net increase in cash during the year	5,105	3,475
Cash, beginning of year	16,070	12,595
Cash, end of year	<u>21,175</u>	<u>16,070</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

[in thousands of dollars]
Year ended March 31, 2013

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

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

ORGANIZATIONAL STRUCTURE

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

In January 2011, a Supervisor was appointed to the Hospital pursuant to subsection 9(5) of the Public Hospitals Act. The Supervisor will exercise all the powers of the Hospital, its officers and its members in governing the Hospital in accordance with the Public Hospitals Act, its regulations and all other applicable legislation and, in exercising those powers, report to and carry out the directions issued by the Minister within the jurisdiction of the Supervisor. Pursuant to subsection 9(4) of the Public Hospitals Act, the Hospital Supervisor's appointment is valid until terminated by order of the Lieutenant Governor in Council and this was terminated effective July 20, 2012. While under Provincial Supervision the Supervisor filed application for continuation to continue corporation as a letters patent corporation (change from Special Act Corporation), and this was approved by the Government of Ontario, June 28, 2012. The new corporate name is Hotel-Dieu Grace Hospital, Windsor.

With the cessation of Provincial Supervision, the Hospital is operated by The Religious Hospitallers of Hotel Dieu of St. Joseph of the Diocese of London (now Hotel-Dieu Grace Hospital, Windsor) pursuant to the terms of an Alliance Agreement made effective April 1, 1994, and amended on November 27, 2007, with The Governing Council of The Salvation Army in Canada.

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

On April 1, 2012, the Hospital adopted Canadian Public Sector Accounting Standards. The Hospital has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the Hospital has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 19.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

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 Hospital's financial statements.

(a) Basis of funding

The Hospital is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health and Long-Term Care (the "Ministry"). Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Funding is now 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. As well, the Ministry's stated policy is that deficits incurred by the Hospital will not be funded.

(b) Revenue recognition

The Hospital 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 HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

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

(h) Accrued post employment benefits

The Hospital provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits. It 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.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

(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 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 HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

(j) Contributed services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as 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 HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

2. CHANGE IN ACCOUNTING POLICY

On April 1, 2012, the Hospital adopted Public Accounting Standards *PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Hospital's accounting policy choices (see Note 1 – Significant Accounting Policies).

In accordance with the provisions of this new standard, the Hospital reflected the following adjustments at April 1, 2012:

- A decrease of \$215 to unrestricted net assets and an increase of \$215 to accumulated remeasurement gains/(losses) due to the unrealized gain of the Hospital's investments previously classified as held-to-maturity or available for sale being reclassified to accumulated remeasurement gains/(losses).

3. ACCOUNTS RECEIVABLE

	March 31, 2013	March 31, 2012	April 1, 2011
Ontario Ministry of Health and Long-Term Care – operating and capital grants	\$ 2,013	\$ 757	\$ 3,304
Other	6,051	7,487	6,821
	\$ 8,064	\$ 8,244	\$ 10,125
Less allowance for doubtful accounts	797	754	745
	\$ 7,267	\$ 7,490	\$ 9,380

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

4. BOARD RESTRICTED NET ASSETS

The Hospital 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:

	2013		2012
Board restricted net assets, beginning of year	\$12,815	\$	12,248
Add (deduct):			
Interest and realized gains	255		348
Capital grants and donations received	224		20
Transfer to unrestricted cash	(5)		-
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	(224)		(20)
Transfer to restricted cash	2,500		
Unrealized gain on investments	42		219
Board restricted net assets, end of year	\$ 15,607	\$	12,815

The Board restricted net assets is comprised of:

	2013		2012
Capital grants	\$ 5,954	\$	5,836
Unspent capital donations	1		1
Restricted cash reserves	9,395		6,763
Unrealized gain on investments	257		215
Board restricted net assets, end of year	\$ 15,607	\$	12,815

The Board restricted net assets include the following investments:

	2013		2012
Cash on deposit	\$ 3,547	\$	1,039
Provincial and bank bonds and guaranteed investment certificates (yields between 3.2% and 4.45%, maturities between July 3, 2013 and June 21, 2014)	4,217		4,096
Other investments consisting of a professionally managed portfolio of canadian corporate bonds with varying yields and maturities	7,788		7,513
Accrued interest	55		167
	\$ 15,607	\$	12,815

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Years ended March 31, 2013 and 2012

5. CAPITAL ASSETS

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
	\$ 276,864	\$ 160,400	\$ 116,464

March 31, 2012	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,732	\$ 1,011	\$ 5,721
Buildings and building service equipment	132,013	44,650	87,363
Equipment	124,344	106,055	18,289
Construction in progress	5,549	-	5,549
	\$ 268,638	\$ 151,716	\$ 116,922

April 1, 2011	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,732	\$ 975	\$ 5,757
Buildings and building service equipment	131,649	41,648	90,001
Equipment	116,164	99,611	16,553
Construction in progress	4,683	-	4,683
	\$ 259,228	\$ 142,234	\$ 116,994

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$2,091 (\$2,147 – March 31, 2012: \$602 – April 1, 2011), which include amounts for HST and payroll related matters. In 2011, all taxes were paid on March 31, 2011 resulting in a lower balance.

7. TERM LOAN

In 1998, the Hospital entered into a term loan agreement with the Royal Bank to finance the parking garage. As collateral, the Hospital 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:

	March 31, 2013	March 31, 2012	April 1, 2011
2012	\$ -	\$ -	\$ 591
2013	-	591	591
2014	591	591	591
2015	591	591	591
2016	591	591	591
2017	591	591	591
2018 and thereafter	228	228	229
	2,592	3,183	3,775
Less: Amount representing interest	278	411	568
	2,314	2,772	3,207
Less: Current portion of term loan	(482)	(458)	(435)
	\$ 1,832	\$ 2,314	\$ 2,772

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

8. ACCRUED BENEFIT LIABILITY

The Hospital 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, 2013.

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

	March 31, 2013	March 31, 2012	April 1, 2011
Discount rate	3.75%	4.0%	5.0%
Dental benefits cost escalation	4.0%	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .25% per annum to ultimate rate of 5% in 2021)	7.0%	7.5%	8.0%

At year-end, the Hospital's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2013 is \$15,785 (March 31, 2012 - \$14,746; and April 1, 2011 - \$12,123). This amount is comprised of:

	March 31, 2013	March 31, 2012
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 16,304	\$ 12,123
Actuarial loss (gain) during the year	(3,159)	1,558
Benefits paid by the Hospital during the year	(575)	(1,013)
Interest	675	726
Current service cost	830	694
Remeasurement adjustment	-	672
ONA/OPSEU award at April 1, 2011	-	1,544
Funded balance – deficit, end of year	14,075	16,304
Unamortized actuarial gain (loss)	1,711	(1,558)
Accrued benefit liability, end of year	\$ 15,786	\$ 14,746

The Hospital's net benefit expense is as follows:

	March 31, 2013	March 31, 2012
Current service cost	\$ 830	\$ 694
Interest	675	726
Prior service cost	-	1,544
Amortization of net actuarial losses	110	-
	\$ 1,615	\$ 2,964

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

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:

	March 31, 2013	March 31, 2012	April 1, 2011
Deferred capital contributions, beginning of year	\$ 64,768	\$ 65,730	\$ 67,503
Add:			
MOHLTC capital grants received in the year	4,461	1,052	873
Hôtel-Dieu Grace Hospital Foundation donation	430	575	278
Deferred general donations (net)	224	20	42
Deferred general donations (net)	200	350	-
	70,083	67,727	68,696
Less:			
Amortization of capital contributions	(2,804)	(2,939)	(2,820)
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	(224)	(20)	(146)
	\$ 67,055	\$ 64,768	\$ 65,730

The balance consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Ministry of Health and Long-Term Care	\$ 54,527	\$ 51,939	\$ 52,737
Windsor-Essex County Hospitals Foundation	9,988	10,368	10,749
Hôtel-Dieu Grace Hospital Foundation donations	1,931	1,885	2,005
Deferred general donations	609	576	239
	\$ 67,055	\$ 64,768	\$ 65,730

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

10. HÔTEL-DIEU GRACE HOSPITAL FOUNDATION

The Hôtel-Dieu Grace Hospital Foundation (the "Foundation") was established to receive and maintain funds which benefit Hôtel-Dieu Grace Hospital, Windsor. The Foundation is independent from the Hospital.

During 2013, the Hospital transferred \$224 (March 31, 2012 - \$20; and April 1, 2011 - \$146) of deferred donations to the Foundation. Also during 2013, the Foundation donated \$430 (March 31, 2012 - \$575; and April 1, 2011 - \$278) to the Hospital for the purposes of purchasing medical equipment and renovations. At the year end, the Foundation owes the Hospital \$516 (March 31, 2012 - \$519; and April 1, 2011 - \$582) which is comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Advances outstanding	\$ 519	\$ 582	\$ 874
Less: repayment	50	63	292
	469	519	582
Services provided during the year	593	565	680
Less: amounts recovered	546	565	680
	47	-	-
	\$ 516	\$ 519	\$ 582

This amount is included in accounts receivable and the outstanding balance related to services provided during the year was paid in April 2013.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

11. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 116,464	\$ 116,922	\$ 116,994
Less amounts financed by:			
Deferred capital contributions	(67,055)	(64,768)	(65,730)
Term loan	(2,314)	(2,772)	(3,207)
	\$ 47,095	\$ 49,382	\$ 48,057

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

	2013	2012
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 2,804	\$ 2,939
Amortization of capital assets	(9,996)	(10,282)
	\$ (7,192)	\$ (7,343)
Invested in capital assets:		
Purchase of capital assets	\$ 9,822	\$ 10,211
Disposal of capital assets	(284)	(1)
Amounts funded by capital grants	(4,661)	(1,402)
Deferred donations (net)	(224)	(20)
Hôtel-Dieu Grace Hospital Foundation donation	(430)	(575)
Repayment of term loan	458	435
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	224	20
	4,905	8,668
Net change in investment in capital assets	\$ (2,287)	\$ 1,325

12. PENSION PLAN

Employer contributions made to the Hospitals of Ontario Pension Plan during the year by the Hospital amounted to \$8,521 (March 31, 2012 - \$8,250; and April 1, 2011 - \$8,056). 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, 2012 indicates the plan is fully funded.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

13. OPERATING LEASES

Under the terms of the various non-capital equipment leases expiring through 2016, the Hospital is committed to lease payments aggregating approximately as follows:

2013	\$	775
2014		771
2015		641
2016		50
2017		50

14. CAPITAL COMMITMENTS

The Hospital has committed to capital expenditures of \$2,541 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 the Hospital. Included in this recovery (expense) category are the following items:

	2013	2012
One time and deferred revenue from prior years' operations	\$ 1,614	\$ 1,582
Termination accruals	(1,742)	(1,153)
Supervisor expenses	-	(622)
	<hr/> \$ (128)	<hr/> \$ (193)

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

16. CONTINGENCIES

Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital 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 the Hospital.

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, 2013.

17. TRANSFORM

The Hospital, 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.

The Hospital is also responsible for 22.5% of the start up loan relating to this organization, and has provided a guarantee for this amount. The Hospital paid to PROcure \$208 (2012-\$139) toward its share of the loan during the year. The balance of the loan at March 31, 2013 is \$465 (2012-\$655) 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, the Hospital contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, the Hospital paid \$1,965 (2012 - \$1,820) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$945 (2012- \$738) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2013 is \$3,528 (2012 - \$3,443) and has been included in accounts payable.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

Years ended March 31, 2013 and 2012

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 will be received and recorded at Hotel-Dieu Grace Hospital, Windsor 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 Windsor Regional Hospital and the board of Hotel-Dieu Grace Hospital, Windsor approved a resolution that Windsor Regional would govern and manage the new hospital and Hotel-Dieu Grace Hospital, Windsor would govern and manage the programs and services on the Tayfour Campus and the services that remain on the Ouellette campus.

The two boards signed a non-binding letter of intent that included the development of a transitional realignment plan. This plan will identify programs and services, personnel, assets etc. that would transfer between the two hospitals prior to the construction of a new hospital. This plan, when developed, will require the approval of the hospital boards, the corporate members, the ESC LHIN and the Ontario Ministry of Health and Long Term Care. This planning is underway and expected to be completed by the end of July 2013. If approved, it will result in a change in the funding dollars provided by the Ministry, LHIN and Cancer Care Ontario to each hospital as well as a change in the expenses incurred by each hospital in related to these service changes. The financial impact of the realignment cannot be estimated at this time.

HÔTEL-DIEU GRACE HOSPITAL, WINDSOR

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Years ended March 31, 2013 and 2012

19. COMPARATIVE FIGURES

(a) Net Assets:

The following table summarizes the impact of the transition to Public Sector Accounting Standards on the Hospital's net assets as of April 1, 2011:

Net assets:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	\$ 38,809
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits	(5,963)
Transition impact as a result of a change in the attribution period	1,169
Restated, April 1, 2011	\$ 34,015

In accordance with transitional provisions of Public Sector Accounting Standards, the Hospital has elected to use the exemption for employee future benefits. The Hospital has elected to recognize all cumulative actuarial gains and losses and past services costs in opening net assets.

(b) Statement of Operations:

As a result of the above noted elections and the retrospective application of public sector accounting standards, the Hospital recorded the following adjustments to deficiency of revenues over expenses for the year ended March 31, 2012:

Deficiency of revenues over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	\$ (1,099)
Increase to employee future benefit expense as a result of transitional election	(1,393)
Restated for the year ended March 31, 2012	\$ (2,492)

Other certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.