Financial Statements of

HÔTEL-DIEU GRACE HEALTHCARE

Year ended March 31, 2019

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor Ontario N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251-3530

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

Opinion

We have audited the financial statements of Hôtel-Dieu Grace Healthcare (the "Hospital"), which comprise:

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

(Hereinafter referred to as the "financial statements")

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

Basis for Opinion

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

We are independent of the 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 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.

Responsibility 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risk 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, internal 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 purposes 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 the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
May 29, 2019

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

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

		2019		2018
Assets				
Current assets:				
Cash	$	16,444	$	12,416
Short-term investments		-		5,271
Short-term investments - restricted (note 3)		4,785		3,512
Accounts receivable (note 2)		3,165		2,785
Inventories		252		269
Prepaid expenses and deposits		1,081		617
		25,727		24,870
Restricted cash and investments (note 3)		22,369		22,246
Capital assets, net (note 4)		224,462		229,578
	$	272,558	$	276,694
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	25,361	$	26,248
Current portion of capital lease obligations (note 13)		163		-
		25,524		26,248
Long-term liabilities:				
Accrued sick leave liability		2,516		2,462
Capital lease obligations (note 13)		558		-
Accrued benefit liability (note 6)		9,855		9,815
Deferred capital contributions (note 7)		185,248		190,174
		223,701		228,699
Net assets:				
Unrestricted		(24,134)		(23,790)
Contributed surplus - Prince Road building (note 17)		6,623		6,623
Invested in capital assets (note 9 (a))		39,214		39,404
Board restricted		25,663		25,121
		47,366		47,358
Accumulated remeasurement gains		1,491		637
		48,857		47,995
Commitments and contingencies (notes 11, 13, 15 and 16)				
	$	272,558	$	276,694

See accompanying notes to financial statements.

On behalf of the Corporation

_______________ Member of the Corporation

_______________ Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

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

	2019	2018
Revenue:		
Ontario Ministry of Health and Long-Term Care	$ 91,634	$ 90,189
Ontario Ministry of Children and Youth Services	13,128	11,033
Other patient revenue	2,492	2,294
Other revenue and recoveries	4,372	4,344
Grant amortization	321	302
	111,947	108,162
Expenses:		
Salaries and purchased services	67,283	64,559
Employee benefits	16,412	15,861
Medical staff	2,717	2,627
Medical and surgical supplies	750	730
Drugs and medical gases	945	933
Supplies and facilities	20,479	18,918
Amortization of capital assets	1,022	821
	109,608	104,449
Excess of revenue over expenses for the year before other items	2,339	3,713
Other items - one-time (note 14)	(566)	357
Excess of revenue over expenses for the year per Ministry of Health and Long-Term Care purposes	1,773	4,070
Interest, net building and land improvements amortization	(1,765)	(1,852)
Excess of revenue over expenses for the year	$ 8	$ 2,218

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

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

2019		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(23,790)	6,623	39,404	25,121	47,358
Excess (deficiency) of revenue over expenses for the year (note 9 (b))		2,474	-	(2,466)	-	8
Invested in capital assets (note 9 (b))		(2,276)	-	2,276	-	-
Net transfer to Board restricted from unrestricted		(542)	-	-	542	-
Balance, end of year	$	(24,134)	6,623	39,214	25,663	47,366

2018		Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	$	(24,783)	6,623	40,798	22,502	45,140
Excess (deficiency) of revenue over expenses for the year (note 9 (b))		4,501	-	(2,283)	-	2,218
Invested in capital assets (note 9 (b))		(889)	-	889	-	-
Net transfer to Board restricted from unrestricted		(2,619)	-	-	2,619	-
Balance, end of year	$	(23,790)	6,623	39,404	25,121	47,358

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

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

		2019		2018
Operating activities:				
Excess of revenue over expenses for the year	$	8	$	2,218
Add (deduct) non-cash items:				
Amortization of capital assets		8,772		8,481
Amortization of deferred capital contributions		(6,306)		(6,198)
Loss on disposal of capital assets		12		208
Unrealized gain on investments		854		163
Change in accrued benefit liability		40		22
		3,380		4,894
Net change in non-cash working capital balances		(1,661)		(5,175)
		1,719		(281)
Investing activities:				
Purchase of capital assets		(3,668)		(2,014)
Proceeds on disposal of capital assets		1		-
Deferred capital contributions received		1,380		1,144
		(2,287)		(870)
Financing activities:				
Repayment of long-term loan		-		(227)
Proceeds from capital lease obligations		816		-
Repayment of capital lease obligations		(95)		-
		721		(227)
Investing activities:				
Net increase in restricted cash and investments		(1,396)		(2,782)
Net decrease in cash during the year		(1,243)		(4,160)
Cash and short-term investments, beginning of year		17,687		21,847
Cash and short-term investments, end of year	$	16,444	$	17,687
Comprised of:				
Cash	$	16,444	$	12,416
Short-term investments unrestricted		-		5,271
Cash and short-term investments, end of year	$	16,444	$	17,687

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

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

		2019		2018
Accumulated remeasurement gains, beginning of year	$	637	$	474
Unrealized gains attributable to:				
Long-term investments		854		163
Accumulated remeasurement gains, end of year	$	1,491	$	637

See accompanying notes to financial statements.

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 non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH").

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

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) 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.

1. Significant accounting policies (continued):

(c) 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.

(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. In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

(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, with the exception of nonunion staff who are paid as the time is taken.

1. **Significant accounting policies (continued):**

    (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 13 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.

    (i) Future accounting changes:

    Effective for fiscal periods beginning on or after April 1, 2016, all governments will be required to adopt PSAB section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450 provides guidance on how to account for financial instruments including derivatives. Section 2601 provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

    HDGH is currently in the process of evaluating the potential impact of adopting these standards.

    (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.

1. Significant accounting policies (continued):

(k) 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.

(in thousands of dollars)

1. Significant accounting policies (continued):

(l) 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.

2. Accounts receivable:

	2019	2018
Ontario Ministry of Health and Long-Term Care – operating and capital grants	$ 1,487	$ 1,487
Ontario Ministry of Children and Youth Services	45	–
WRH	91	–
Other	1,806	1,603
	3,429	3,090
Less allowance for doubtful accounts	(264)	(305)
	$ 3,165	$ 2,785

(in thousands of dollars)

3. 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:

	2019	2018
Board restricted net assets, beginning of year	$ 25,758	$ 22,976
Add:		
Interest and realized gains	542	401
Unrealized gain on investments	854	163
Assets restricted during current year	–	2,218
Board restricted net assets, end of year	$ 27,154	$ 25,758

The Board restricted net assets is comprised of:

	2019	2018
Capital grants	$ 6,784	$ 6,641
Unspent capital donations	1	1
Restricted cash reserves	18,878	18,479
Unrealized gain on investments	1,491	637
Board restricted net assets, end of year	$ 27,154	$ 25,758

The Board restricted net assets includes the following investments:

	2019	2018
Cash on deposit and short term investments	$ 4,785	$ 3,512
Provincial, corporate, Government of Canada bonds (yields between .30% and 6.5%, maturing between August 1, 2020 to Nov 1, 2078)	10,436	10,777
Other investments consisting of a professionally managed portfolio of equities	11,834	11,376
Accrued interest	99	93
	$ 27,154	$ 25,758

(in thousands of dollars)

4. Capital assets:

2019	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 6,751	$ 1,074	$ 5,677
Buildings and building service equipment	299,848	93,031	206,817
Equipment	10,516	5,803	4,713
Construction-in-progress	7,255	–	7,255
	$ 324,370	$ 99,908	$ 224,462

2018	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 6,751	$ 1,072	$ 5,679
Buildings and building service equipment	298,100	85,283	212,817
Equipment	8,599	4,815	3,784
Construction-in-progress	7,298	–	7,298
	$ 320,748	$ 91,170	$ 229,578

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of $1,465 (2018 - $2,157), which include amounts for payroll related matters.

(in thousands of dollars)

6. 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 was performed at March 31, 2017 and extrapolated at March 31, 2019.

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

	2019	2018
Discount rate	3.2%	3.4%
Dental benefits cost escalation	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .15% per annum to ultimate rate of 4% commencing in 2017)	6.7%	6.9%

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, 2019 is $9,855 (2018 - $9,815) amount is comprised of:

	2019	2018
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	$ 8,456	$ 8,146
Actuarial losses during the year	171	182
Plan amendment in year	–	7
Benefits paid by HDGH during the year	(571)	(555)
Interest	289	294
Current service cost	407	382
Funded balance – deficit, end of year	8,752	8,456
Unamortized actuarial losses	1,103	1,359
Accrued benefit liability, end of year	$ 9,855	$ 9,815

(in thousands of dollars)

6. Accrued benefit liability (continued):

HDGH's net benefit expense is as follows:

		2019		2018
Current service cost	$	407	$	382
Interest		289		294
Amortization of net actuarial gains		(84)		(106)
Plan amendment in year		–		7
	$	612	$	577

7. 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:

		2019		2018
Deferred capital contributions, beginning of year	$	190,174	$	195,228
Add:				
MOHLTC capital grants received in the year		707		767
Changing Lives Together Foundation donation		773		277
Deferred general donations		–		100
		191,654		196,372
Less:				
Amortization of capital contributions		(6,306)		(6,198)
Transfer of donations to Changing Lives Together Foundation		(100)		–
Deferred capital contributions, end of year	$	185,248	$	190,174

The balance consists of the following:

		2019		2018
Ministry of Health and Long-Term Care	$	173,975	$	178,663
Together in Caring Foundation		7,707		8,087
Changing Lives Together Foundation donations		1,227		836
Deferred general donations		2,339		2,588
	$	185,248	$	190,174

(in thousands of dollars)

8. Changing Lives Together Foundation:

HDGH established the Changing Lives Together Foundation, (the "Foundation") on December 11, 2015 whose object is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The Foundation is independent from HDGH but HDGH does have an economic interest in the Foundation.

In the current year, donations of $100 were transferred to the Foundation. Donations of $773 were transferred from the Foundation to HDGH, of which $150 was a gift in kind. As of year-end, HDGH receivable from the Foundation is $283.

9. Net assets invested in capital assets:

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

	2019	2018
Capital assets	$ 224,462	$ 229,578
Less amounts financed by:		
Deferred capital contributions	(185,248)	(190,174)
	$ 39,214	$ 39,404

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

	2019	2018
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 6,306	$ 6,198
Amortization of capital assets	(8,772)	(8,481)
	(2,466)	(2,283)
Invested in capital assets:		
Purchase of capital assets	3,668	2,014
Disposal of capital assets	(12)	(208)
Amounts funded by capital grants	(707)	(767)
Deferred donations (net)	–	(100)
Changing Lives Together Foundation donation (net)	(673)	(277)
Repayment of term loan	–	227
	2,276	889
Net change in investment in capital assets	$ (190)	$ (1,394)

(in thousands of dollars)

10. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to $5,471 (2018 - $5,198). 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, 2018 indicates the plan is fully funded.

11. Operating Leases:

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

2020	$	510
2021		455
2022		264
2023		85
2024		60

12. Capital lease obligations:

HDGH has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

2020	$	163
2021		163
2022		163
2023		163
2024		69
Total lease payments		721
Less: current portion of obligations under capital lease		(163)
	$	558

(in thousands of dollars)

13. Capital commitments:

HDGH has committed to a multi-year capital project to replace the Health Information System. The total capital commitment for the project is estimated to be $9,009 and will be paid over the next several fiscal years. In fiscal 2018/19, $7,425 has been committed through purchase orders for the capital component of the project. Of this amount, $412 has been paid and is included in construction in progress in fixed assets. The total cost of the project is expected to be $23,986 including one-time implementation costs expected to be incurred prior to go live June 2020, as well as ongoing maintenance costs over the life of the contract.

In addition to the above, HDGH has committed to other capital expenditures of $395 which will be incurred over the next fiscal year.

14. 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:

	2019	2018
Other one-time revenues	$ 382	$ 597
Ministry of Health and Long-term Care revenue prior years:		
Ouellette Campus	6	27
Termination accruals	(340)	(267)
One-time HIS Set-up expenses	(614)	–
	$ (566)	$ 357

15. 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, 2019.

16. 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.

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 $894 (2018 - $883) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, $311 (2018 - $306) was paid for purchasing and payments of services. Also, HDGH paid TSSO $370 (2018 - $Nil) for services related to the HIS Project. The balance payable to TransForm at March 31, 2019 is $76 (2018 - $180) and has been included in accounts payable and accrued liabilities.

The other part of the blended financing is a lease agreement with Macquarie Equipment Finance Ltd. that Transform entered into in 2015-2016. This agreement will expire December 2019. HDGH's portion of the guarantee for this lease is 11.19% for a total of $57. An additional lease agreement with Macquarie Equipment Finance LTD was entered into during fiscal 2016-2017 of which HDGH's portion of the guarantee is 11.56% for a total of $18. This Lease agreement has various end dates, the latest of which is in 2022. An additional lease agreement with Macquarie Equipment Finance LTD was entered into during fiscal 2017-2018 of which HDGH's portion of the guarantee is 11.03% for a total of $18. This Lease agreement has various end dates, the latest of which is in 2023.

HDGH also provides a guarantee on the line of credit (held with CIBC) of TSSO for $291. During the current fiscal year, HDGH made payments totaling $135 in connection with the above-noted lease.

17. Program re-allignment:

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. 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

Supplemental Schedule of Operations (Unaudited)

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

		Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2019	Total 2018
Revenue:							
Ontario Ministry of Health and Long-Term Care	$	73,430	122	-	18,082	91,634	90,189
Ontario Ministry of Children and Youth Services		-	12,747	381	-	13,128	11,033
Other patient revenue		2,492	-	-	-	2,492	2,294
Other revenues and recoveries		4,248	91	-	33	4,372	4,344
Grant amortization		293	17	-	11	321	302
		80,463	12,977	381	18,126	111,947	108,162
Expenses:							
Salaries and purchased services		48,551	7,372	310	11,050	67,283	64,559
Employee benefits		11,904	1,798	38	2,672	16,412	15,861
Medical staff		952	-	-	1,765	2,717	2,627
Medical and surgical supplies		738	1	-	11	750	730
Drugs and medical gases		945	-	-	-	945	933
Supplies and facilities		14,290	3,790	33	2,366	20,479	18,918
Amortization of capital assets		1,006	16	-	-	1,022	821
		78,386	12,977	381	17,864	109,608	104,449
Excess of revenue over expenses for the year before other items		2,077	-	-	262	2,339	3,713
Other items (note 14)		(304)	-	-	(262)	(566)	357
Excess of revenue over expenses for the year per Ministry of Health purposes		1,773	-	-	-	1,773	4,070
Interest, net building and land improvements		(1,765)	-	-	-	(1,765)	(1,852)
Excess of revenue over expenses for the year	$	8	-	-	-	8	2,218