

Financial Statements of

**HÔTEL-DIEU GRACE
HEALTHCARE**

Year ended March 31, 2017



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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, 2017, the statements of operations, changes in net assets, cash flows and remeasurement of gains 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.



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, 2017, 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 24, 2017
Windsor, Canada

HÔTEL-DIEU GRACE HEALTHCARE


Statement of Financial Position


As at March 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Assets		
Current assets:		
Cash	\$ 16,651	\$ 14,426
Short-term investments	5,196	5,113
Accounts receivable (note 2)	2,824	1,810
Inventories	284	288
Prepaid expenses and deposits	643	413
	<u>25,598</u>	<u>22,050</u>
Restricted cash and investments (note 3)	22,976	22,119
Capital assets, net (note 4)	236,253	242,452
	<u>\$ 284,827</u>	<u>\$ 286,621</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 31,378	\$ 29,422
Current portion of term loan (note 6)	227	506
	<u>31,605</u>	<u>29,928</u>
Long-term liabilities:		
Term loan (note 6)	-	284
Accrued sick leave liability	2,587	2,770
	<u>2,587</u>	<u>3,054</u>
Accrued benefit liability (note 7)	9,793	9,773
Deferred capital contributions (note 8)	195,228	198,697
	<u>239,213</u>	<u>241,452</u>
Net assets:		
Unrestricted	(24,783)	(26,538)
Contributed surplus - Prince Road building (note 17)	6,623	6,623
Invested in capital assets (note 10 (a))	40,798	42,965
Board restricted	22,502	21,863
	<u>45,140</u>	<u>44,913</u>
Accumulated remeasurement gains	474	256
	<u>45,614</u>	<u>45,169</u>
Commitments and contingencies (notes 13, 15 and 16)		
	<u>\$ 284,827</u>	<u>\$ 286,621</u>

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, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Revenue:		
Ontario Ministry of Health and Long-Term Care	\$ 88,148	\$ 87,397
Ontario Ministry of Children and Youth Services	11,649	11,711
Other patient revenue	2,130	2,315
Other revenue and recoveries	4,825	4,808
Grant amortization	640	815
	107,392	107,046
Expenses:		
Salaries and purchased services	64,602	64,734
Employee benefits	16,181	16,396
Medical staff	2,648	2,714
Medical and surgical supplies	817	961
Drugs and medical gases	857	980
Supplies and facilities	19,158	20,228
Amortization of capital assets	1,205	1,170
	105,468	107,183
Excess (deficiency) of revenue over expenses for the year before other items	1,924	(137)
Other items - one-time (note 14)	81	3,638
Excess of revenue over expenses for the year per Ministry of Health and Long-Term Care purposes	2,005	3,501
Interest, net building and land improvements amortization	(1,778)	(1,796)
Excess of revenue over expenses for the year	\$ 227	\$ 1,705

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016
(in thousands of dollars)

2017	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (26,538)	6,623	42,965	21,863	44,913
Excess of revenues over expenses for the year (note 10 (b))	2,543	-	(2,316)	-	227
Invested in capital assets (note 10 (b))	(149)	-	149	-	-
Net transfer to Board restricted from unrestricted	(639)	-	-	639	-
Balance, end of year	\$ (24,783)	6,623	40,798	22,502	45,140

2016	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (22,942)	6,623	39,736	19,791	43,208
Excess of revenues over expenses for the year (note 10 (b))	3,800	-	(2,095)	-	1,705
Invested in capital assets (note 10 (b))	(5,324)	-	5,324	-	-
Net transfer to Board restricted from unrestricted	(2,072)	-	-	2,072	-
Balance, end of year	\$ (26,538)	6,623	42,965	21,863	44,913

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2017	2016
Operating activities:		
Excess of revenue over expenses for the year	\$ 227	\$ 1,705
Add (deduct) non-cash items:		
Amortization of capital assets	8,837	8,709
Amortization of deferred capital contributions	(6,521)	(6,614)
Loss on disposal of capital assets	(33)	428
Unrealized gain/(loss) on investments	218	(275)
Change in accrued benefit liability	20	(35)
	2,748	3,918
Net change in non-cash working capital balances	533	(1,990)
	3,281	1,928
Capital activities:		
Purchase of capital assets	(2,727)	(5,505)
Proceeds on disposal of capital assets	122	10
Deferred capital contributions received	3,052	280
	447	(5,215)
Financing activities:		
Repayment of long-term loan	(563)	(535)
Investing activities:		
Net increase in restricted cash and investments	(857)	(1,797)
Net increase (decrease) in cash during the year	2,308	(5,619)
Cash and short-term investments, beginning of year	19,539	25,158
Cash and short-term investments, end of year	\$ 21,847	\$ 19,539
Comprised of:		
Cash	\$ 16,651	\$ 14,426
Short-term investments	5,196	5,113
Cash and short-term investments, end of year	\$ 21,847	\$ 19,539

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains

Year ended March 31, 2017, with comparative information for 2016
(in thousands of dollars)

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 256	\$ 531
Unrealized gains/(losses) attributable to:		
Long-term investments	218	(275)
Accumulated remeasurement gains, end of year	\$ 474	\$ 256

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

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").

Notes 17 and 18 provide further details of the transfer agreement and associated funding implications.

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.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

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.

(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.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

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.

Curtailement 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.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

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.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(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:

	2017	2016
Ontario Ministry of Health and Long-Term Care – operating and capital grants	\$ 1,756	\$ 264
Ontario Ministry of Children and Youth Services	5	–
WRH	291	996
Other	1,136	1,256
	3,188	2,516
Less allowance for doubtful accounts	364	706
	\$ 2,824	\$ 1,810

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(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:

	2017	2016
Board restricted net assets, beginning of year	\$ 22,119	\$ 20,322
Add (deduct):		
Interest and realized gains	639	367
Unrealized gain/(loss) on investments	218	(275)
Assets restricted during current year	–	1,705
Board restricted net assets, end of year	\$ 22,976	\$ 22,119

The Board restricted net assets is comprised of:

	2017	2016
Capital grants	\$ 6,524	\$ 6,324
Unspent capital donations	1	1
Restricted cash reserves	15,977	15,538
Unrealized gain on investments	474	256
Board restricted net assets, end of year	\$ 22,976	\$ 22,119

The Board restricted net assets includes the following investments:

	2017	2016
Cash on deposit	\$ 1,033	\$ 1,719
Provincial and bank bonds and guaranteed investment certificates (yields between 2.0% and 3.45%, maturing between June 1, 2018 to Dec. 2, 2048)	10,951	2,713
Other investments consisting of a professionally managed portfolio of Canadian corporate bonds with varying yields and maturities	10,892	17,574
Accrued interest	100	113
	\$ 22,976	\$ 22,119

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

4. Capital assets:

2017	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,070	\$ 5,681
Buildings and building service equipment	296,919	77,624	219,295
Equipment	7,559	3,995	3,564
Construction-in-progress	7,713	–	7,713
	<u>\$ 318,942</u>	<u>\$ 82,689</u>	<u>\$ 236,253</u>

2016	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,069	\$ 5,682
Buildings and building service equipment	295,615	69,995	225,620
Equipment	6,826	2,868	3,958
Construction-in-progress	7,192	–	7,192
	<u>\$ 316,384</u>	<u>\$ 73,932</u>	<u>\$ 242,452</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$2,178 (2016 - \$1,868), which include amounts for payroll related matters.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

6. 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:

	2017	2016
2017	\$ 230	\$ 591
2018 and thereafter	–	230
	230	821
Less: amount representing interest	(3)	(31)
	227	790
Less: current portion of term loan	(227)	(506)
	\$ –	\$ 284

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

7. 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.

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

	2017	2016
Discount rate	3.6%	3.8%
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)	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, 2017 is \$9,793 (2016 - \$9,773) amount is comprised of:

	2017	2016
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 9,961	\$ 10,501
Actuarial gains during the year	(2,647)	(446)
Plan Amendment in Year	838	–
Benefits paid by HDGH during the year	(849)	(920)
Interest	376	348
Current service cost	467	478
Funded balance – deficit, end of year	8,146	9,961
Unamortized actuarial (gains) losses	1,647	(188)
Accrued benefit liability, end of year	\$ 9,793	\$ 9,773

An OPSEU Plan Amendment increase of \$838 was a result of recent union negotiations effective December 23, 2016 (but recognized in the HDGH accounting effective March 31, 2017). Change in future retiree cost sharing from 100% employee paid to 50% employee paid if member retires aged 57-64 (100% if member retires at age 55 or 56).

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

7. Accrued benefit liability (continued):

HDGH's net benefit expense is as follows:

	2017	2016
Current service cost	\$ 467	\$ 478
Interest	376	348
Amortization of net actuarial (gains) losses	(813)	59
Plan Amendment in Year	838	—
	\$ 868	\$ 885

8. 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:

	2017	2016
Deferred capital contributions, beginning of year	\$ 198,697	\$ 205,031
Add:		
MOHLTC capital grants received in the year	2,255	(94)
Changing Lives Together Foundation donation	797	—
Deferred general donations	—	374
	201,749	205,311
Less:		
Amortization of capital contributions	(6,521)	(6,614)
	\$ 195,228	\$ 198,697

The balance consists of the following:

	2017	2016
Ministry of Health and Long-Term Care	\$ 183,254	\$ 186,737
Together in Caring Foundation	8,467	8,847
Changing Lives Together Foundation donations	606	—
Deferred general donations	2,901	3,113
	\$ 195,228	\$ 198,697

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

9. 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 fiscal 2015/16, HDGH authorized a loan up to \$300 as seed funding to the Foundation. The Foundation requested forgiveness of this loan in the current fiscal year and HDGH approved this request in the current fiscal year.

In the current year, donations of \$673 were transferred to the Foundation. Donations of \$797 were transferred from the Foundation to HDGH.

10. Net assets invested in capital assets:

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

	2017	2016
Capital assets	\$ 236,253	\$ 242,452
Less amounts financed by:		
Deferred capital contributions	(195,228)	(198,697)
Term loan	(227)	(790)
	\$ 40,798	\$ 42,965

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

	2017	2016
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,521	\$ 6,614
Amortization of capital assets	(8,837)	(8,709)
	(2,316)	(2,095)
Invested in capital assets:		
Purchase of capital assets	\$ 2,727	\$ 5,505
Disposal of capital assets	(89)	(436)
Amounts funded by capital grants	(2,255)	94
Deferred donations (net)	—	(374)
Changing Lives Together Foundation donation	(797)	—
Repayment of term loan	563	535
	149	5,324
Net change in investment in capital assets	\$ (2,167)	\$ 3,229

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

11. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$5,141 (2016 - \$5,122). 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, 2016 indicates the plan is fully funded.

12. Operating leases:

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

2018	\$	535
2019		443
2020		421
2021		365
2022		333

13. Capital commitments:

HDGH has committed to capital expenditures of \$459 which will be incurred over the next fiscal year. The expenditures will be funded through both operating and capital grants.

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:

	2017	2016
Other one-time revenues	\$ 859	\$ -
One-time revenues	-	3,243
Ministry of Health and Long-term Care revenue prior years:		
Tayfour Campus	667	896
Ouellette Campus	572	1,168
Termination accruals	(1,908)	(1,669)
One-time expenses RPN scope	(109)	-
	\$ 81	\$ 3,638

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

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, 2017.

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 \$937 (2016 - \$996) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$304 (2016 - \$443) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2017 is \$33 (2016 - \$53) and has been included in accounts payable and accrued liabilities.

During the 2014-2015 fiscal year, Transform entered into a 3-year loan with CIBC. This loan is part of a blended financing approaching to financing capital acquisition. HDGH has provided a guarantee on the loan limited to 11.19% of the remaining balance, or \$66, which represents its share of the funding formula. This loan matures December 1, 2017.

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 \$153. 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 \$31. This Lease agreement has various end dates, the latest of which is in 2022.

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 \$205 in connection with the above-noted lease.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2017
(in thousands of dollars)

17. Program re-alignment:

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 6). 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.

18. Third Party Review:

In Q4 of 2017, HDGH began participating in a third party review project led by the Ministry of Health and Long Term Care and facilitated by Deloitte. The purpose is to complete an independent third-party review of WRH and HDGH's financial and statistical data and associated impacts in relation to the 2013-14 program transfer and service realignment.

The project has three primary objectives: a) finalize an inter-hospital, budget-neutral allocation (limited to the 2016-17 HBAM reset of \$6.3M) that fairly represents the intent of the 2013-14 program transfer; b) establish funding stability at WRH and HDGH within the 2016-17 funding envelope; and c) understand implications, if any, on percent base-funded expense calculations within WRH and HDGH's 2016/17 fiscal envelope.

This review is currently underway and Deloitte is expected to provide their final report and recommendations to the Ministry at the end of June 2017. Accordingly, the results of this review are not quantifiable at this time and as such no amounts have been recorded in the financial statements relating to the review.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2017, with comparative information for 2016
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2017	Total 2016
Revenue:						
Ontario Ministry of Health and Long-Term Care	\$ 71,100	53	-	16,995	88,148	87,397
Ontario Ministry of Children and Youth Services	-	11,252	397	-	11,649	11,711
Other patient revenue	2,130	-	-	-	2,130	2,315
Other revenues and recoveries	4,556	121	-	148	4,825	4,808
Grant amortization	553	87	-	-	640	815
	78,339	11,513	397	17,143	107,392	107,046
Expenses:						
Salaries and purchased services	46,772	7,188	257	10,385	64,602	64,734
Employee benefits	11,776	1,873	41	2,491	16,181	16,396
Medical staff	887	-	-	1,761	2,648	2,714
Medical and surgical supplies	798	2	-	17	817	961
Drugs and medical gases	857	-	-	-	857	980
Supplies and facilities	14,207	2,363	99	2,489	19,158	20,228
Amortization of capital assets	1,118	87	-	-	1,205	1,170
	76,415	11,513	397	17,143	105,468	107,183
Excess (deficiency) of revenue over expenses for the year before other items	1,924	-	-	-	1,924	(137)
Other items (note 14)	81	-	-	-	81	3,638
Excess of revenue over expenses for the year per Ministry of Health purposes	2,005	-	-	-	2,005	3,501
Interest, net building and land improvements	(1,778)	-	-	-	(1,778)	(1,796)
Excess of revenue over expenses for the year	\$ 227	-	-	-	227	1,705