



FINANCIAL STATEMENTS

MARCH 31, 2013 and 2012

Our Vision : Outstanding Care - No Exceptions!

Our Mission : Deliver an outstanding care experience driven by a passionate commitment to excellence.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Windsor Regional Hospital

We have audited the accompanying financial statements of Windsor Regional Hospital, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of revenue and expense, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, the statement of rereasurement 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Windsor Regional Hospital 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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, thin horizontal line that tapers at both ends, resembling a stylized underline or a flourish.

Chartered Accountants, Licensed Public Accountants

June 12, 2013
Windsor, Canada

WINDSOR REGIONAL HOSPITAL

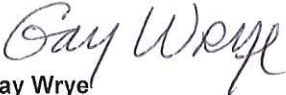
STATEMENTS OF FINANCIAL POSITION


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

	March 31, 2013 \$ (000)	March 31, 2012 \$ (000)	April 1, 2011 \$ (000)
ASSETS			
Current assets:			
Cash	50,877	130,466	34,808
Accounts receivable, net (Note 3)	14,181	16,920	11,776
Inventories	2,673	2,250	2,015
Prepaid and deferred charges	1,318	1,832	2,455
Due from related parties (Note 15)	971	641	366
	70,020	152,109	51,420
Investments held for capital purposes (Note 4)	6,480	6,103	8,563
Capital assets: (Note 5)			
Cost	518,374	495,748	395,710
Less: Accumulated amortization	203,165	189,685	178,545
	315,209	306,063	217,165
Total assets	391,709	464,275	277,148
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
Current liabilities:			
Bank loans (Note 6)	752	1,579	15,669
Accounts payable and accrued liabilities (Note 7 and 17)	66,631	155,608	56,653
Current portion of accrued benefit liabilities (Note 8)	950	808	642
Current portion of other long term liabilities (Note 9)	1,371	1,402	1,226
	69,704	159,397	74,190
Long term liabilities:			
Loans payable (Note 9)	45,251	46,625	35,315
Accrued sick leave entitlements	6,846	6,970	6,882
	52,097	53,595	42,197
Accrued benefit liabilities (Note 8)	9,994	10,248	8,327
Deferred capital grants net of amortization (Note 10)	265,324	255,843	169,403
Interest rate swaps (Note 2)	2,535	2,409	992
Net assets - unrestricted	(5,410)	(17,217)	(17,961)
Accumulated remeasurement losses	(2,535)	-	-
Commitments and contingencies (Notes 13,14 and 17)	-	-	-
Total liabilities, deferred contributions and net assets	391,709	464,275	277,148

See accompanying notes to financial statements

On behalf of the Board:


 Gay Wrye
 Chairperson


 Randy Morris
 Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2013 and 2012

	\$ (000)
Balance, April 1, 2011	(18,189)
Adjustment on adoption of changes in the accounting of future benefit costs (Note 20)	228
Balance, April 1, 2011 as restated	(17,961)
Excess of revenue over expense for the year ending March 31, 2012	744
Balance, March 31, 2012	(17,217)
Adjustment on the adoption of the financial instruments standard (Note 2)	2,409
Balance, March 31, 2012 restated	(14,808)
Excess of revenue over expense for the year ending March 31, 2013	9,398
Balance, March 31, 2013	(5,410)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

Years ended March 31, 2013

	\$ (000)
Accumulated remeasurement losses, beginning of the year	-
Adjustment on adoption of the financial instruments standard (Note 2)	(2,409)
Balance, beginning of the year, as restated	(2,409)
Unrealized loss attributable to swap	(126)
Balance, March 31, 2013	(2,535)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENTS OF REVENUE AND EXPENSE

Years ended March 31, 2013 and 2012

	2013 \$ (000)	2012 \$ (000)
Revenue:		
Provincial programs	280,742	261,432
Patient services	21,833	23,826
Other fees and revenue	34,920	32,586
	337,495	317,844
Expense:		
Salaries and wages	166,283	159,740
Employee benefits	38,386	36,165
Employee future benefits (Note 8)	694	2,799
Medical staff remuneration	30,273	28,681
Medical and surgical supplies	12,698	14,011
Drugs and medicines	24,678	21,899
Other supplies and expense	39,619	40,520
Equipment rental	1,986	2,145
Amortization of capital assets	13,480	11,140
	328,097	317,100
Excess of revenue over expense for the year	9,398	744

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENTS OF CASH FLOWS

Years ended March 31, 2013 and 2012

	2013 \$ (000)	2012 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Excess of revenue over expense for the year	9,398	744
Add items not involving cash:		
Amortization of capital assets	13,480	11,140
Deferred grant amortization	(8,976)	(7,128)
Loss on swap contract marked to market	-	1,417
	13,902	6,173
Cash flows from changes in operating balances (Note 11)	8,715	679
	22,617	6,852
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES:		
Additions to capital assets	(17,634)	(100,038)
Capital grants and donations received (Note 10)	13,465	93,568
	(4,169)	(6,470)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Investments held for capital purposes (Note 4)	(377)	2,460
	(377)	2,460
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Accounts receivable, capital (Note 3)	(2,775)	-
Bank loans (Note 6)	(827)	(15,082)
Loans payable (Note 9)	(1,405)	12,478
Accounts payable, capital (Note 7)	(92,653)	95,420
	(97,660)	92,816
(DECREASE) INCREASE IN CASH FOR THE YEAR	(79,589)	95,658
CASH, BEGINNING OF YEAR	130,466	34,808
CASH, END OF YEAR	50,877	130,466

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

1. Nature of business and significant accounting policies:

Windsor Regional Hospital (Hospital) is incorporated without share capital under the laws of Ontario. The Hospital is a registered charity and as such, is exempt from tax.

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 expense is provided in note 20.

A summary of these policies arising from these standards that are considered significant is presented below.

a) Operation of the Hospital:

The financial statements include all the operations of Windsor Regional Hospital including the Windsor Regional Cancer Centre and the Regional Children's Centre. The Hospital operates under various regulations of the Ministry of Health and Long Term Care and other regulatory bodies. The Regional Children's Centre operates under the regulations of the Ministry of Children and Youth Services. The Windsor Regional Cancer Centre operates and is funded under the guidelines of Cancer Care Ontario.

Operating grants are received from the above Ministries. In addition, revenue is generated from the provision of various patient services and treatments, as well as from ancillary and investment activities.

The Hospital administers certain funds whose activities are not reflected in the accompanying statements. These include: the Patients' Trust Account and the Windsor Regional Hospital Foundation.

b) Revenue recognition:

The Hospital is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of the accounting period, are accrued. Where a portion of the grant relates to a future period, it is deferred and recognized in that subsequent period.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

1. Nature of business and significant accounting policies: (Cont'd)

b) Revenue recognition: (Cont'd)

Capital grants received for the purpose of funding acquisitions of depreciable assets are deferred and amortized to income on a straight-line basis over the estimated useful service life of the related asset using the Hospital's amortization rates. Grants received for the purpose of funding land acquisition costs are recorded in equity and not deferred and amortized.

c) Inventories:

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis.

d) Capital assets:

Capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset using rates of 2 percent to 5 percent per annum for buildings, 4 percent to 10 percent per annum for land improvements, 20 percent for computer software and licenses and varying rates from 5 percent to 20 percent per annum for equipment commencing in the month of acquisition. Land acquisition costs are not amortized.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Long-lived assets, including land and buildings subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

e) Employee future benefits:

The Hospital accrues its obligation of future benefits as the employees render the services necessary to earn these benefits. The actuarial determination of accrued benefit obligations for future benefits uses the projected benefit method prorated on service and incorporates management's best estimate of termination rates, retirement age and expected inflation rate with respect to employee benefit costs. Actuarial gains (losses) related to the Post Employment Plan are amortized over the average remaining service lifetime of the active employees. Any actuarial gains (losses) in the Employees on Long Term Disability Plan are recognized as income (expense) immediately. The average remaining service period of the active employees is 12.0 years (13.25 years in previous valuation – 2010).

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

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

1. Nature of business and significant accounting policies: (Cont'd)

e) Employee future benefits: (Cont'd)

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

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments are reported at fair value. For all other financial instruments, the Hospital has elected to record all investments at their fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Statement of Accumulated Remeasurement Losses until they are realized, when they are transferred to the Statements of Revenue and Expense.

Transaction costs (if any) 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 (if any) incurred on acquisition and financing costs (if any), which are amortized using a 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 Statements of Revenue and Expense and any unrealized gain or loss is adjusted through the Statement of Accumulated Remeasurement Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Accumulated Remeasurement Losses are reversed and recognized in the Statements of Revenue and Expense.

Long Term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

The Standards require the Hospital 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 active markets or market data for substantially the full term of the assets or liabilities; and

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

1. Nature of business and significant accounting policies: (Cont'd)

f) Financial instruments: (Cont'd)

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

g) Vacation pay and sick leave:

The Hospital accrues vacation pay and sick leave entitlements for amounts vested and owing to its employees at the year end. Non-vested sick leave benefits available to its employees under long term disability plans are recorded when paid.

h) 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.

i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the carrying value of capital assets and related deferred capital grants, the estimated impact of unsettled labour contracts, pay equity agreements and certain accrued liabilities, as well as accrued benefit liabilities.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

2. Change in accounting policy:

On April 1, 2012, the Hospital adopted Public Accounting Standard PS 3450 – Financial Instruments. 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.

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

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

- An increase of \$2,409,000 to unrestricted net assets and an increase to accumulated remeasurement losses due to the fair value of the Hospital's interest rate swap derivative being reclassified to accumulated remeasurement losses.

3. Accounts receivable:

Accounts receivable consist of:

	March 31, 2013 \$ (000)	March 31, 2012 \$ (000)	April 1, 2011 \$ (000)
Ministry of Health and Long Term Care – operating	2,488	1,163	1,722
Ministry of Health and Long Term Care – capital	2,775	-	-
Insurers and patients	5,560	6,056	5,936
Other	3,668	10,033	4,432
	14,491	17,252	12,090
Allowance for doubtful accounts	(310)	(332)	(314)
	14,181	16,920	11,776

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

4. Investments held for capital purposes:

The Hospital is holding funds for capital purposes and is currently earmarked for its share of the final Tayfour (Western) Campus Redevelopment Project costs and future capital acquisitions. These funds have a carrying value that approximate market value.

The changes in the investments are summarized below:

	\$ (000)
Balance at beginning of year – April 1, 2011	8,563
Interest earned in the year	134
Funds applied against qualifying expenditures	(92,336)
Payment received from Ministry of Health and Long Term Care	89,312
Preferred accommodation capital charge	430
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Balance at end of year – March 31, 2012	6,103
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	\$ (000)
Interest earned in the year	95
Funds applied against qualifying expenditures	(131)
Payment received from Ministry of Health and Long Term Care	-
Preferred accommodation capital charge	413
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Balance at end of year – March 31, 2013	6,480
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These investments are classified as level 2.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

5. Capital assets:

Capital assets consist of:

March 31, 2013

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,659	-	6,659
Land improvements	3,183	3,116	67
Buildings	377,414	98,922	278,492
Equipment	106,783	91,101	15,682
Computer software and licenses	12,123	10,026	2,097
Construction in progress	12,212	-	12,212
	518,374	203,165	315,209

March 31, 2012

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,473	-	6,473
Land improvements	3,183	3,098	85
Buildings	264,979	90,513	174,466
Equipment	98,920	86,677	12,243
Computer software and licenses	11,071	9,397	1,674
Construction in progress	111,122	-	111,122
	495,748	189,685	306,063

April 1, 2011

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,473	-	6,473
Land improvements	3,183	3,079	104
Buildings	257,912	84,482	173,430
Equipment	94,969	82,177	12,792
Computer software and licenses	10,178	8,807	1,371
Construction in progress	22,995	-	22,995
	395,710	178,545	217,165

The amount of amortization included in the statements of revenue and expense is \$13,480,000 (\$11,140,000 in 2012).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

6. Bank loans:

Bank loans consist of:

	March 31, 2013 \$ (000)	March 31, 2012 \$ (000)	April 1, 2011 \$ (000)
Revolving credit facility	752	1,579	2,599
Demand installment loan	-	-	13,070
	752	1,579	15,669

The revolving credit facility can either be funded through a demand note bearing interest at prime minus .25% or through the use of Bankers Acceptance with a minimum stamping fee of .90%. This facility is currently funded through the use of a 30 day Bankers Acceptance at an effective rate of 1.664% (2.197% in 2012).

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	March 31, 2013 \$ (000)	March 31, 2012 \$ (000)	April 1, 2011 \$ (000)
Accounts payable - trade	11,736	12,190	11,308
Accounts payable - capital	4,225	96,878	1,458
Vacation pay entitlement	16,259	16,558	15,469
Accrued salaries and benefits	12,079	12,340	12,136
Payroll withholdings	4,335	4,057	4,644
Ministry of Health and Long Term Care	12,262	2,383	2,290
Deferred revenue – Cancer Care Ontario	2,671	2,878	1,701
Deferred revenue – Ministry of Health and Long Term Care	-	5,287	5,334
Deferred revenue – Ministry of Children's and Youth Services	10	10	10
Deferred revenue – Other	2,295	2,188	1,581
Other	759	839	722
	66,631	155,608	56,653

Included in accounts payable and accrued liabilities are government remittances payable of \$2,607,000 (\$2,632,000 - March 31, 2012; \$2,318,000 - April 1, 2011), which include amounts for HST and payroll related matters.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

8. Accrued benefit liabilities/obligations:

The Hospital provides certain post employment benefits to qualifying employees. The Hospital's obligation is currently unfunded and requires contributions from both the Hospital and its former employees depending on the nature of the benefits. The Hospital has two types of obligations as follows:

- ◆ Unfunded benefit program relating to employees receiving certain benefits from the long-term disability benefit program sponsored by the Hospital.
- ◆ Unfunded post employment life, health and dental benefits offered to qualifying active employees and retirees.

For post employment benefits, the most recent actuarial valuation is as of March 31, 2013. The next required valuation will be as of March 31, 2016. The year end disclosure of the benefits related to long term disability is based on a valuation as at March 31, 2013.

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

	Employees on Long Term Disability	Post Employment
◆ Medical trend rate - Initial	7.00%	7.00%
- Ultimate	4.00%	4.00%
- Year of Ultimate level	2028	2028
◆ Dental care cost trend rate – first 10 years	4.00%	4.00%
◆ Dental care cost trend rate – next 10 years	4.00%	4.00%
◆ Dental care cost trend rate – thereafter	4.00%	4.00%
◆ Discount rate – beginning of year	4.69%	4.69%
◆ Discount rate – end of year	3.94%	3.94%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

8. Accrued benefit liabilities/obligations: (Cont'd)

Sensitivity Analysis - Assumed healthcare cost trend rates have a significant effect on amounts reported for healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effect for 2012-2013:

	Increase (000's)	Decrease (000's)
Total service and interest costs	114	(98)
Benefit obligation at March 31, 2013	1,022	(892)

Information about the Hospital's obligations and plan assets is as follows:

	2013 \$ (000)			2012 \$ (000)		
	Employees on Long Term Disability	Post Employment	Total	Employees on Long Term Disability	Post Employment	Total
Accrued benefit obligations:						
Balance at beginning of year	1,402	10,235	11,637	986	7,983	8,969
Current service cost	-	366	366	-	313	313
Interest costs	63	481	544	53	531	584
Expected terminations from long term disability payments	(145)	-	(145)	(125)	-	(125)
Actuarial (gain) loss	(435)	4,266	3,831	285	581	866
Benefits paid	(110)	(696)	(806)	(90)	(622)	(712)
Plan amendments	-	-	-	-	1,449	1,449
Expected reserves for new claims	318	-	318	293	-	293
Balance at end of year	1,093	14,652	15,745	1,402	10,235	11,637
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	110	696	806	90	622	712
Return on plan assets	-	-	-	-	-	-
Benefits paid	(110)	(696)	(806)	(90)	(622)	(712)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(1,093)	(14,652)	(15,745)	(1,402)	(10,235)	(11,637)
Unamortized net actuarial gains	-	4,801	4,801	-	581	581
	(1,093)	(9,851)	(10,944)	(1,402)	(9,654)	(11,056)
Current portion	122	828	950	112	696	808
Long term portion	971	9,023	9,994	1,290	8,958	10,248

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

8. Accrued benefit liabilities/obligations: (Cont'd)

The Hospital's net employee future benefit expense is as follows:

	2013			2012		
	\$ (000)			\$ (000)		
	Employees on Long Term Disability	Post Employment	Total	Employees on Long Term Disability	Post Employment	Total
Current service cost	-	366	366	-	313	313
Interest cost	63	481	544	53	531	584
Expected terminations from long term disability benefits	(144)	-	(144)	(125)	-	(125)
Amortization of prior service costs	-	-	-	-	1,449	1,449
Amortization actuarial loss (gain)	(435)	45	(390)	285	-	285
Expected reserve for new claims	318	-	318	293	-	293
Total expense	(198)	892	694	506	2,293	2,799

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

9. Other long term liabilities:

The Hospital has the following other long term liabilities as at March 31:

	March 31, 2013 \$ (000's)	March 31, 2012 \$ (000's)	April 1, 2011 \$ (000's)
5.87% interest rate loan due April 2012, repayable in blended quarterly payments of principal and interest of \$94,000. The loan was secured by a collateral charge against certain pieces of equipment.	\$ -	\$ 94	\$ 456
Committed non-revolving instalment loan funded through unsecured banker's acceptances with a minimum stamping fee of .35% per annum, and subject to an interest rate-swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 5.035% until November 30, 2030. The principal and interest payments are made each month.	12,278	12,700	-
Bank loan due February 2030, comprised of four tranches with each tranche bearing its own interest rate. The loan is unsecured and is being amortized over a 25 year period. The terms are as follows:			
2.98% (2.33% in 2011) interest rate renewable on February 12, 2017 with blended monthly payments of principal and interest of \$23,469 (\$21,945 in 2011).	4,528	4,673	4,824
3.80% interest rate renewable on February 15, 2015 with blended monthly payments of principal and interest of \$46,505.	8,293	8,531	8,759
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440.	9,328	9,559	9,773
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580.	12,195	12,470	12,729
	34,344	35,233	36,085
Total other long term liabilities	46,622	48,027	36,541
Less: current portion	1,371	1,402	1,226
	45,251	46,625	35,315

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

9. Other long term liabilities: (Cont'd)

The annual scheduled principal payments for these loans are as follows:

2014	\$ 1,371,000
2015	1,439,000
2016	1,508,000
2017	1,580,000
2018	1,571,000
Thereafter	<u>39,153,000</u>
Total	<u>\$46,622,000</u>

10. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2013

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	378	56
Buildings	293,577	48,765	244,812
Equipment	61,860	53,746	8,114
Construction in progress	12,342	-	12,342
	368,213	102,889	265,324

March 31, 2012

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	364	70
Buildings	181,638	42,213	139,425
Equipment	57,286	51,336	5,950
Construction in progress	110,398	-	110,398
	349,756	93,913	255,843

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

10. Deferred capital grants: (Cont'd)

April 1, 2011

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	351	83
Buildings	174,163	37,803	136,360
Equipment	55,707	48,631	7,076
Construction in progress	25,884	-	25,884
	256,188	86,785	169,403

The amount of amortization included in the statements of revenue and expense is \$8,976,000 (\$7,128,000 in 2012).

During the year, deferred capital grants and donations were recorded from:

	2013 \$ (000)	2012 \$ (000)
Ministry of Child and Youth Services – Capital	4,778	-
Windsor Essex County Cancer Centre Foundation	25	285
Windsor Regional Hospital Foundation	3,628	3,465
Ministry of Health and Long Term Care - Capital	3,144	89,312
Ministry of Health and Long Term Care – HIRF	-	100
Cancer Care Ontario	535	-
Other	1,355	406
	13,465	93,568

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

11. Cash flow information:

Cash flows from (used in) changes in the following operating balances are as follows:

	2013 \$ (000)	2012 \$ (000)
Accounts receivable, non capital	5,514	(5,144)
Inventories	(423)	(235)
Prepaid and deferred charges	514	623
Due from related parties	(330)	(275)
Accounts payable and accrued liabilities, non capital	3,676	3,535
Accrued sick leave entitlements	(124)	88
Accrued benefit liabilities	(112)	2,087
	8,715	679

Interest paid during the year amounted to \$2,276,000 (\$2,323,000 in 2012).

12. Pension expense:

Substantially, all of the employees of the Hospital are eligible to be members of the Hospital of Ontario Pension Plan (HOOPP), which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Hospital amounted to \$12,613,000 (\$11,711,000 in 2012). These amounts are included in employee benefits expense in the statements of revenue and expense. The most recent actuarial valuation of the plan as at December 31, 2012 indicates that the plan is fully funded (2011 – fully funded).

13. Operating leases:

Under the terms of various non-capital equipment leases expiring through 2018, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2014	\$1,694,000
▪ 2015	\$1,488,000
▪ 2016	\$1,488,000
▪ 2017	\$1,342,000
▪ 2018	\$1,274,000

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Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

14. Contingent liabilities:

- a) The Hospital is subject to various lawsuits, disputes, labour grievances and other items for which the Hospital may be liable. In the opinion of management, the ultimate resolution of any current lawsuits, disputes, and/or grievances which are not covered by insurance, would not have a material effect on the financial position or results of operations. Any difference between the provision recorded in the Hospital's accounts, if any, and the actual settlement would be recognized in the financial statements in the year of settlement.

In addition, the Hospital has made provisions for the estimated impact of unsettled labour contracts. Any difference in final settlement from that estimated will be recorded in the period in which the settlement becomes known.

The Hospital is also in the process of updating its pay equity agreements with one of its unions. Given the nature of the pay equity process, there is measurement uncertainty with respect to this issue. The Hospital has made provision for the estimated impact of settling this liability, which is reflected as part of accounts payable and accrued liabilities on the statements of financial position. Any difference in the final settlement from that estimated will be recorded in the period in which the settlement becomes known.

- b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid after actuarial determination are not sufficient to cover claims, the Hospital will be required to provide additional premium payments on a proportional basis. Similarly, if HIROC has accumulated an unappropriated surplus, which are the total premiums paid by all subscribers plus investment income, less the obligation for claim reserves, expenses and operating expenses, these surpluses may be paid out to the members on a proportional basis. As at March 31, 2013, no assessments or refund of premiums has been made.
- c) The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hotel-Dieu Grace Hospital (HDGH) and Leamington District Memorial Hospital (LDMH) operates a not-for-profit without share capital under the laws of the Province of Ontario shared service organization called TransForm Shared Service Organization (TransForm). Transform was a result of the amalgamation of PROcure Healthcare, which provided the purchasing and payment responsibilities and Consolidated Health Information Services (CHIS), which provided Information Technology/Information System services for the five hospitals. The Hospital has provided a guarantee to TransForm's bank in the amount of \$1,029,438.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

15. Related party transactions:

The Hospital administers the receipt and disbursement of funds on behalf of the following related parties:

- Windsor Regional Hospital Foundation (Foundation)
- Patients' Trust Account (Patients' Trust)

The Hospital relies heavily on the Foundation to raise funds for its benefit. The Foundation is a registered charity and is classified as a public foundation under Section 149.1 (1)(g) of the Income Tax Act (Canada) and as such, is exempt from tax. At March 31, 2013, net resources of the Foundation amounted to \$10,765,000 (\$11,453,000 in 2012) of which \$5,566,000 (\$6,564,000 in 2012) is externally restricted for specific purposes. The balance is available, at the discretion of the Foundation's Board of Directors, to the Hospital for other purposes. For the year ended March 31, 2013, the Foundation had excess expenses over revenue of \$688,000 (\$1,493,000 excess revenue over expense in 2012).

On July 1, 2011, the Hospital entered into an agreement to lease the parking facilities which it owns to the Foundation. The term of the lease is twenty-one (21) years with lease payments of \$42,750 per month in the first three years of the agreement and an amount to be negotiated thereafter. The Hospital also has a management agreement with the Foundation in connection with the parking facilities whereby the Hospital was appointed manager of the facility. The management fees and rent related to these two agreements are paid to the Hospital each month. The net parking revenue retained by the Foundation and the management fees and rent received by the Hospital is summarized below:

	<u>Year ended</u> <u>March 31, 2013</u>	<u>Year ended</u> <u>March 31, 2012</u>
Revenue from parking operations	\$1,501,000	\$1,108,000
Rent paid to the Hospital	(580,000)	(435,000)
Management fees paid to the Hospital	<u>(753,000)</u>	<u>(544,000)</u>
Net parking revenue retained by Foundation	\$ <u>168,000</u>	\$ <u>129,000</u>

As part of these agreements, the Hospital assumes all liabilities related to the parking facilities.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

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15. Related party transactions: (Cont'd)

The Patients' Trust is established to administer funds on behalf of patients. At March 31, 2013, total funds held amounted to \$6,600 (\$3,000 in 2012).

The net balances recorded as due from related parties at the year end consist of:

	March 31, 2013 \$ (000)	March 31, 2012 \$ (000)	April 1, 2011 \$ (000)
Windsor Regional Hospital Foundation	965	635	361
Patients' Trust Account	6	6	5
	971	641	366

These amounts are settled as mutually agreed upon in the next fiscal year.

16. Financial results by business unit:

The surplus (deficiency) of revenue over expense by each business unit operated by the Hospital is:

	2013 \$ (000)	2012 \$ (000)
Hospital Operations	9,383	768
Regional Children's Centre	15	(24)
	9,398	744

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Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

17. TransForm:

TransForm provides Information Technology/Information Systems services and purchasing and payment services at rates designed 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 toward 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 \$2,995,000 (2012 - \$2,699,000) to TransForm for Information Technology/Information Systems services. In addition, \$1,111,000 (2012 - \$647,000) was paid for purchasing and payment services. The balance payable to TransForm at March 31, 2013 is \$2,655,000 (\$5,755,000 in 2012) and has been included in accounts payable. In addition, the Hospital paid \$209,000 (\$139,000 in 2012) for its share of a loan.

18. Hospital Accountability Agreement – Year End Total Margin:

Under the terms of the annual Hospital Accountability Agreement between the Hospital and the Ministry of Health and Long Term Care, the Hospital is expected to achieve a year end total margin that must not be less than \$ Nil. Year end total margin is defined as “The amount by which total revenues exceed total expenses, excluding the impact of facility amortization and interest on long term liabilities, in a given year”.

Calculation of year end total margin	2013 \$ (000)	2012 \$ (000)
Excess of revenue over expense for the year	9,398	744
Add (deduct): net building amortization	1,828	2,026
interest on long term liabilities	2,245	1,638
loss on swap contract marked to market (Note 2)	-	1,417
Year end total margin	13,471	5,825

The Hospital met this performance indicator in 2013 (2012 – indicator met).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

19. Hospital Services Realignment:

The Ministry of Health and Long Term Care has provided its support for the preliminary planning on the program and service scope of a proposed new single site acute care hospital facility to service Windsor and Essex County. 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 Hôtel-Dieu Grace Hospital approved a resolution that Windsor Regional Hospital would govern and manage the new hospital and Hôtel-Dieu Grace Hospital would govern and manage the programs and services on the Windsor Regional Hospital's Tayfour Campus and the services that remain on the Ouellette campus of Hôtel-Dieu Grace Hospital.

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, and the Erie St. Clair LHIN and the Ontario Ministry of Health and Long Term Care. This planning is underway and expected to be completed by the end of June 2013. If approved, it will result in a change in the funding dollars provided by the Ministry to each hospital and a change in the expenses incurred by each hospital related to these service changes, neither of which can be estimated at this time.

20. Comparative amounts:

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:

	\$ (000)
<hr/>	
Net assets:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	\$ (18,189)
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits	228
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Restated, April 1, 2011	\$ (17,961)
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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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEARS ENDED MARCH 31, 2013 and 2012

20. Comparative amounts: (Cont'd)

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:

Excess of revenues over expenses for the year:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	\$ 1,639
Increase to employee future benefit expense as a result of transitional election	(895)
<hr/>	<hr/>
Restated for the year ended March 31, 2012	\$ 744

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

21. Financial risks:

a) Liquidity risk

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2012.

b) Interest rate risk

The Hospital is exposed to interest rate risk on its investments and on its bank loan and loans payable.