



FINANCIAL STATEMENTS

MARCH 31, 2014

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 statement of financial position as at March 31, 2014 the statements of revenue and expense, changes in net assets, statement of remeasurement gain and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Windsor Regional Hospital as at March 31, 2014, its results of operations, its remeasurement gains and losses and its cash flows for the year ended March 31, 2014 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, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

June 5, 2014
Windsor, Canada

STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2014

	March 31, 2014 \$ (000)	March 31, 2013 \$ (000)
ASSETS		
Current assets:		
Cash	46,560	50,877
Accounts receivable, net (Note 2)	18,234	14,181
Inventories	3,354	2,673
Prepaid and deferred charges	2,224	1,318
Due from related parties (Note 14)	1,284	971
	71,656	70,020
Investments held for capital purposes (Note 3)	2,771	6,480
Capital assets: (Note 4)		
Cost	325,516	518,374
Less: Accumulated amortization	157,368	203,165
	168,148	315,209
Total assets	242,575	391,709
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Bank loans (Note 5)	-	752
Accounts payable and accrued liabilities (Note 6 and 16)	71,627	66,631
Current portion of accrued benefit liabilities (Note 7)	986	950
Current portion of other long term liabilities (Note 8)	1,425	1,371
	74,038	69,704
Long term liabilities:		
Loans payable (Note 8)	43,789	45,251
Accrued sick leave entitlements	6,825	6,846
	50,614	52,097
Accrued benefit liabilities (Note 7)	15,462	9,994
Deferred capital grants net of amortization (Note 9)	114,096	265,324
Interest rate swaps	1,776	2,535
Net assets - unrestricted	(11,635)	(5,410)
Accumulated remeasurement losses	(1,776)	(2,535)
Commitments and contingencies (Notes 12, 13 and 16)	-	-
Total liabilities, deferred contributions and net assets	242,575	391,709

See accompanying notes to financial statements

On behalf of the Board:


Gay Wrye
Chairperson

Leanne Leech
Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2014

	2014 Total \$	2013 Total \$
Balance, beginning of year	(5,410)	(14,808)
(Deficiency) excess of revenue over expense	(6,225)	9,398
Balance, end of year	(11,635)	(5,410)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

Year ended March 31, 2014

	2014 Total \$	2013 Total \$
Balance, beginning of year	(2,535)	(2,409)
Unrealized gain (loss) attributable to SWAP	759	(126)
Balance, end of year	(1,776)	(2,535)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

Year ended March 31, 2014

	2014 \$ (000)	2013 \$ (000)
Revenue:		
Provincial programs	340,257	280,742
Patient services	29,949	21,833
Other fees and revenue	38,797	34,920
	409,003	337,495
Expense:		
Salaries and wages	196,721	166,283
Employee benefits	46,080	38,386
Employee future benefits (Note 7)	2,277	694
Medical staff remuneration	41,929	30,273
Medical and surgical supplies	23,600	12,698
Drugs and medicines	30,624	24,678
Other supplies and expense	49,811	39,619
Equipment rental	1,627	1,986
Amortization of capital assets	15,810	13,480
Loss in deemed disposition of capital assets and capital grants (Note 18)	6,749	-
	415,228	328,097
(Deficiency) excess of revenue over expense for the year	(6,225)	9,398

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

Year ended March 31, 2014

	2014 \$ (000)	2013 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
(Deficiency) excess of revenue over expense for the year	(6,225)	9,398
Add items not involving cash:		
Amortization of capital assets	15,810	13,480
Deferred grant amortization	(7,775)	(8,976)
Loss on deemed disposition of capital assets and capital grants	6,749	-
	<u>8,559</u>	<u>13,902</u>
Cash flows from changes in operating balances (Note 10)	8,551	8,715
	<u>17,110</u>	<u>22,617</u>
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES:		
Additions to capital assets	(23,996)	(17,634)
Capital grants and donations received (Note 9)	5,045	13,465
	<u>(18,951)</u>	<u>(4,169)</u>
Cash flow from (used in) capital activities	(18,951)	(4,169)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Investments held for capital purposes	3,709	(377)
	<u>3,709</u>	<u>(377)</u>
Cash flow from (used in) investing activities	3,709	(377)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Accounts receivable, capital	-	(2,775)
Bank loans	(752)	(827)
Loans payable	(1,408)	(1,405)
Accounts payable, capital (Note 6)	(4,025)	(92,653)
	<u>(6,185)</u>	<u>(97,660)</u>
Cash flows from (used for) financing activities	(6,185)	(97,660)
DECREASE IN CASH FOR THE YEAR	(4,317)	(79,589)
CASH, BEGINNING OF YEAR	50,877	130,466
CASH, END OF YEAR	<u>46,560</u>	<u>50,877</u>

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

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.

The Hospital follows Canadian Public Sector Accounting Standards and Section 4200 standards for government not-for-profit organizations.

A summary of the significant policies arising from these standards are 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, prior to its transfer as part of Hospital Services Realignment (Note 18), operated 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

YEAR ENDED MARCH 31, 2014

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 12.6 years (12.0 years in previous valuation – 2013).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

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

e) Employee future benefits: (Cont'd)

Plan amendments are immediately recognized in the year of the effective change. Under PSAB, if there exists an actuarial gain at the time of introduction of a plan amendment that results in a past service loss, the gain is to be offset against the past service loss before any recognition of the amendment takes place. Similar requirements apply if the amendment decreases liabilities and an actuarial loss exists under the plan at the time of the amendment. 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 Statement 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 Statement 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 Statement 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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

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

f) Financial instruments: (Cont'd)

- 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
- 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, in conformity with Canadian generally accepted accounting principles, 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

YEAR ENDED MARCH 31, 2014

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

j) Future accounting changes:

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

The Hospital is currently in the process of evaluation the potential impact of adopting this standard.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

2. Accounts receivable:

Accounts receivable consist of:

	March 31, 2014 \$ (000)	March 31, 2013 \$ (000)
Ministry of Health and Long Term Care – operating	1,155	2,488
Ministry of Health and Long Term Care – capital	2,775	2,775
Insurers and patients	8,092	5,560
Other	6,654	3,668
	18,676	14,491
Allowance for doubtful accounts	(442)	(310)
	18,234	14,181

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

3. Investments held for capital purposes:

The Hospital is holding funds for capital purposes. These funds have a carrying value that approximate market value.

The changes in the investments are summarized below:

	2014 \$ (000)	2013 \$ (000)
Balance, beginning of year	6,480	6,103
Interest earned in the year	85	95
Funds applied against qualifying expenditures	(4,281)	(131)
Preferred accommodation, capital change	487	413
	2,771	6,480

These investments are classified as level 2.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

4. Capital assets:

Capital assets consist of:

March 31, 2014

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,171	-	6,171
Land improvements	3,183	3,133	50
Buildings	194,872	67,526	127,346
Equipment	101,640	75,933	25,707
Computer software and licenses	12,123	10,776	1,347
Construction in progress	7,527	-	7,527
	325,516	157,368	168,148

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

The amount of amortization included in the statements of revenue and expense is \$15,810,000 (\$13,480,000 in 2013).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

5. Bank loans:

The bank loan with a balance of \$752,000 as at March 31, 2013 was paid off during the year. This revolving credit facility in the amount of \$5.0 million is still available for the Hospital's use.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	March 31, 2014 \$ (000)	March 31, 2013 \$ (000)
Accounts payable - trade	18,247	11,736
Accounts payable - capital	200	4,225
Vacation pay entitlement	21,810	16,259
Accrued salaries and benefits	11,887	12,079
Payroll withholdings	4,276	4,335
Ministry of Health and Long Term Care/LHIN	7,353	12,262
Deferred revenue – Cancer Care Ontario	2,301	2,671
Deferred revenue – Ministry of Children's and Youth Services	-	10
Deferred revenue – Other	1,062	2,295
Due to Hôtel-Dieu Grace Healthcare (Note 18)	3,690	-
Other	801	759
	71,627	66,631

Included in accounts payable and accrued liabilities are government remittances payable of \$3,649,000 (\$2,607,000 - March 31, 2013), which include amounts for HST and payroll related matters.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

7. 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	3.94%	3.94%
◆ Discount rate – end of year	4.36%	4.36%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

7. 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 2013-2014:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
Total service and interest costs	178	(151)
Benefit obligation at March 31, 2014	1,476	(1,283)

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

	2014 \$ (000)			2013 \$ (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	1,093	14,652	15,745	1,402	10,235	11,637
Current service cost	-	720	720	-	366	366
Interest costs	41	661	702	63	481	544
Expected terminations from long term disability payments	(114)	-	(114)	(145)	-	(145)
Actuarial (gain) loss	(69)	(1,234)	(1,303)	(435)	4,266	3,831
Benefits paid	(122)	(851)	(973)	(110)	(696)	(806)
Plan amendments (Note 18)	-	6,743	6,743	-	-	-
Curtailments (Note 18)	-	(3,243)	(3,243)	-	-	-
Expected reserves for new claims	192	-	192	318	-	318
Balance at end of year	1,021	17,448	18,469	1,093	14,652	15,745
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	69	851	920	110	696	806
Return on plan assets	-	-	-	-	-	-
Benefits paid	(69)	(851)	(920)	(110)	(696)	(806)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(1,021)	(17,448)	(18,469)	(1,093)	(14,652)	(15,745)
Unamortized net actuarial gains	-	2,021	2,021	-	4,801	4,801
	(1,021)	(15,427)	(16,448)	(1,093)	(9,851)	(10,944)
Current portion	116	870	986	122	828	950
Long term portion	905	14,557	15,462	971	9,023	9,994

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

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

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

	2014 \$ (000)			2013 \$ (000)		
	Employees on Long Term Disability	Post Employment	Total	Employees on Long Term Disability	Post Employment	Total
Current service cost	-	720	720	-	366	366
Interest cost	41	661	702	63	481	544
Expected terminations from long term disability benefits	(114)	-	(114)	(144)	-	(144)
Amortization of prior service costs	-	6,743	6,743	-	-	-
Recovery from Hôtel-Dieu Grace Healthcare	-	(4,200)	(4,200)	-	-	-
Amortization actuarial loss (gain)	(69)	1,546	1,477	(435)	45	(390)
Curtailment	-	(3,243)	(3,243)	-	-	-
Expected reserve for new claims	192	-	192	318	-	318
Total expense	50	2,227	2,277	(198)	892	694

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

8. Other long term liabilities:

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

	March 31, 2014 \$ (000's)	March 31, 2013 \$ (000's)
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.	11,796	12,278
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% interest rate renewable on February 12, 2017 with blended monthly payments of principal and interest of \$23,469	4,380	4,528
3.80% interest rate renewable on February 15, 2015 with blended monthly payments of principal and interest of \$46,505.	8,046	8,293
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440.	9,088	9,328
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580.	11,904	12,195
	33,418	34,344
Total other long term liabilities	45,214	46,622
Less: current portion	1,425	1,371
	43,789	45,251

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

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

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

2015	\$ 1,439,000
2016	1,506,000
2017	1,578,000
2018	1,654,000
2019	1,734,000
Thereafter	<u>37,303,000</u>
 Total	 <u>\$45,214,000</u>

9. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2014

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	391	43
Buildings	131,912	30,941	100,971
Equipment	48,833	43,052	5,781
Construction in progress	7,301	-	7,301
	<u>188,480</u>	<u>74,384</u>	<u>114,096</u>

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
	<u>368,213</u>	<u>102,889</u>	<u>265,324</u>

The amount of amortization included in the statements of revenue and expense is \$7,775,000 (\$8,976,000 in 2013).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

9. Deferred capital grants: (Cont'd)

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

	2014 \$ (000)	2013 \$ (000)
Ministry of Child and Youth Services – Capital	354	4,778
Windsor Essex County Cancer Centre Foundation	37	25
Windsor Regional Hospital Foundation	2,373	3,628
Ministry of Health and Long Term Care - Capital	-	3,144
Ministry of Health and Long Term Care – HIRF	450	-
Cancer Care Ontario	30	535
Grants related to Program Transfer	1,720	-
Other	81	1,355
	5,045	13,465

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

10. Cash flow information:

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

	2014 \$ (000)	2013 \$ (000)
Accounts receivable, non capital	(4,053)	5,514
Inventories	(681)	(423)
Prepaid and deferred charges	(906)	514
Due from related parties	(313)	(330)
Accounts payable and accrued liabilities, non capital	9,021	3,676
Accrued sick leave entitlements	(21)	(124)
Accrued benefit liabilities	5,504	(112)
	8,551	8,715

Interest paid during the year amounted to \$2,234,000 (\$2,276,000 in 2013).

11. 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 \$15,157,000 (\$12,613,000 in 2013). 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, 2013 indicates that the plan is fully funded (2012 – fully funded).

12. Operating leases:

Under the terms of various non-capital equipment leases expiring through 2019, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2015	\$1,492,000
▪ 2016	\$1,492,000
▪ 2017	\$1,345,000
▪ 2018	\$1,273,000
▪ 2019	\$1,273,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

13. 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.

- 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, 2014, no assessments or refund of premiums has been made.
- c) The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hôtel-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 \$750,000.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

14. 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, 2014, net resources of the Foundation amounted to \$12,390,000 (\$10,765,000 in 2013) of which \$6,603,000 (\$5,566,000 in 2013) 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, 2014, the Foundation had excess revenue over expense of \$1,625,000 (\$688,000 excess expense over revenue in 2013).

On May 23, 2014, it was announced that Hôtel-Dieu Grace Hospital Foundation was amalgamating with Windsor Regional Hospital Foundation to form Windsor/Essex Hospitals Foundation. As a result of this amalgamation, there should be no change in the new Foundation's support to the Hospital.

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, 2014</u>	<u>Year ended</u> <u>March 31, 2013</u>
Revenue from parking operations	\$ 476,000	\$1,501,000
Rent paid to the Hospital	(193,000)	(580,000)
Management fees paid to the Hospital	<u>(283,000)</u>	<u>(753,000)</u>
Net parking revenue retained by Foundation	\$ <u> -</u>	\$ <u>168,000</u>

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

14. Related party transactions: (Cont'd)

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

In March 2012, the Federal Government introduced changes to the Federal Excise Tax Act which provided no incentive of continuing this arrangement. As a result, in July 2013, the related parking agreements between the Hospital and the Foundation were terminated.

The Patients' Trust is established to administer funds on behalf of patients. At March 31, 2014, total funds held amounted to \$Nil (\$6,600 in 2013).

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

	March 31, 2014 \$ (000)	March 31, 2013 \$ (000)
Windsor Regional Hospital Foundation	1,284	965
Patients' Trust Account	-	6
	1,284	971

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

15. Financial results by business unit:

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

	2014 \$ (000)	2013 \$ (000)
Hospital Operations	(8,067)	9,383
Regional Children's Centre (Note 18)	1,842	15
	(6,225)	9,398

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

16. 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 (2013 - \$2,995,000) to TransForm for Information Technology/Information Systems services. In addition, \$1,099,000 (2013 - \$1,111,000) was paid for purchasing and payment services. The balance payable to TransForm at March 31, 2014 is \$6,251,000 (\$4,266,000 in 2013) and has been included in accounts payable. In addition, the Hospital paid \$209,000 (\$209,000 in 2013) for its share of a loan.

17. 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	2014 \$ (000)	2013 \$ (000)
(Deficiency) excess of revenue over expense for the year	(6,225)	9,398
Add (deduct): net building amortization	1,623	1,828
interest on long term liabilities	2,207	2,245
loss on deemed disposition of capital assets and capital grants	6,749	-
Year end total margin	4,354	13,471

The Hospital met this performance indicator in 2014 (2013 – indicator met).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

18. Hospital Services Realignment:

On October 1, 2013, Windsor Regional Hospital (Hospital) and Hôtel-Dieu Grace Healthcare (HDGH) completed a program transfer of programs and services. On that date, the Hospital assumed the governance and management of the programs and services that remained at the Ouellette Campus and the employees at that site became employees of Windsor Regional Hospital. HDGH assumed the governance and management of the programs and services at the Hospital's former Tayfour Campus including the Regional Children's Centre. The employees at that Campus became the employees of HDGH.

As part of this agreement, the equipment associated with the programs and services at the Tayfour Campus were sold to HDGH at its net book value of approximately \$945,000. HDGH entered into a ninety-nine (99) year lease with the Hospital for the buildings on that Campus which resulted in a deemed disposition of the building, related building equipment and related capital grants. As a result, there is a one time expense recognizing the loss on capital assets and capital grants arising from the deemed disposition in the amount of \$6,749,000.

Similarly, the Hospital purchased the equipment at the Ouellette Campus at its net book value of approximately \$14.7 million, net of assumed grants.

The Hospital entered in a seven (7) year operating lease with HDGH with an option to extend for up to twenty-one (21) years less a day, with an annual base rent of \$1. During the term of the lease, the Hospital is responsible for all operating expenses. In addition, the Hospital will pay HDGH a monthly payment of \$49,228 until July 31, 2017. These payments made from parking revenue at the Ouellette Campus are pursuant to a loan between HDGH and their bank related to a parking garage on that site.

Associated with this transaction, as part of assuming the obligations for future benefit for the Ouellette Campus employees that transferred to the Hospital, there was a one-time past service cost expense recognition in the amount of \$6.7 million in accordance with PSAB accounting rules. As an offset, there was a curtailment gain in the amount of \$3.2 million related to those employees that worked at the Tayfour Campus and transferred to HDGH. HDGH has agreed to fund \$4.2 million towards these one time costs. This has been reflected as a recovery within net employee benefit expense (Note 7). Accounting for these transactions resulted in the future benefit cost expense being recognized in the Statement of Revenue and Expense of \$2,277,000. This represents a cost that is \$275,000 higher than what the actuaries have estimated for fiscal 2014-15.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2014

18. Hospital Services Realignment: (Cont'd)

The Hospital also incurred one-time legal, accounting, information services and other related costs associated with implementing this Program Transfer Agreement in the amount of \$1,262,000.

Except for these one-time items associated with the Program Transfer, the Hospital would have had an operating surplus of \$2,061,000 as compared to the reported deficiency of revenue over expense of \$6,225,000 as shown below.

	\$ (000's)
Deficiency of revenue over expense for the year	(6,225)
Deduct:	
One time net future benefit cost expense	(275)
One time expenses implementing the Program Transfer Agreement	(1,262)
Loss on deemed disposition of capital assets and capital grants	<u>(6,749)</u>
Excess of revenue over expense from operations	<u>2,061</u>

19. 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 2013.

b) Interest rate risk

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