



FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015 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, 2015, its results of operations, its remeasurement gains and losses and its cash flows for the year ended March 31, 2015 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 25, 2015
Windsor, Canada

STATEMENT OF FINANCIAL POSITION


Year ended March 31, 2015

	March 31, 2015 \$ (000)	March 31, 2014 \$ (000)
ASSETS		
Current assets:		
Cash	26,520	46,560
Accounts receivable, net (Note 2)	22,084	18,234
Inventories	4,179	3,354
Prepaid and deferred charges	2,956	2,224
Due from related parties (Note 14)	1,065	1,284
	56,804	71,656
Investments held for capital purposes (Note 3)	3,429	2,771
Capital assets: (Note 4)		
Cost	347,827	325,516
Less: Accumulated amortization	174,667	157,368
	173,160	168,148
Total assets	233,393	242,575
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6 and 16)	68,291	71,627
Current portion of accrued benefit liabilities (Note 7)	1,085	986
Current portion of loans payable (Note 8)	1,529	1,425
	70,905	74,038
Long term liabilities:		
Loans payable (Note 8)	42,255	43,789
Accrued sick leave entitlements	6,837	6,825
	49,092	50,614
Accrued benefit liabilities (Note 7)	16,705	15,462
Deferred capital grants net of amortization (Note 9)	119,840	114,096
Interest rate swaps	2,647	1,776
Net assets - unrestricted	(23,149)	(11,635)
Accumulated rereasurement losses	(2,647)	(1,776)
Commitments and contingencies (Notes 12, 13 and 18)	-	-
Total liabilities, deferred contributions and net assets	233,393	242,575

See accompanying notes to financial statements

On behalf of the Board:


 Robert Renaud
 Chairperson


 Anthony Paniccia
 Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2015

	2015 Total \$ (000)	2014 Total \$ (000)
Balance, beginning of year	(11,635)	(5,410)
(Deficiency) of revenue over expense	(11,514)	(6,225)
Balance, end of year	(23,149)	(11,635)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

Year ended March 31, 2015

	2015 Total \$ (000)	2014 Total \$ (000)
Balance, beginning of year	(1,776)	(2,535)
Unrealized gain (loss) attributable to SWAP	(871)	759
Balance, end of year	(2,647)	(1,776)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

Year ended March 31, 2015

	2015 \$ (000)	2014 \$ (000)
Revenue:		
Provincial programs	401,583	340,257
Patient services	37,043	29,949
Other fees and revenue	42,760	38,797
	481,386	409,003
Expense:		
Salaries and wages	232,692	196,721
Employee benefits	52,942	46,080
Employee future benefits (Note 7)	2,329	2,277
Medical staff remuneration	55,440	41,929
Medical and surgical supplies	34,242	23,600
Drugs and medicines	37,678	30,624
Other supplies and expense	58,456	49,811
Equipment rental	1,822	1,627
Amortization of capital assets	17,299	15,810
Loss on deemed disposition of capital assets and capital grants	-	6,749
	492,900	415,228
(Deficiency) of revenue over expense for the year	(11,514)	(6,225)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

Year ended March 31, 2015

	2015 \$ (000)	2014 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
(Deficiency) of revenue over expense for the year	(11,514)	(6,225)
Add items not involving cash:		
Amortization of capital assets	17,299	15,810
Deferred grant amortization	(6,376)	(7,775)
Loss on deemed disposition of capital assets and capital grants	-	6,749
	(591)	8,559
Cash flows from changes in operating balances (Note 10)	(7,189)	8,551
Cash flows from (used in) operating activities	(7,780)	17,110
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES:		
Additions to capital assets	(22,311)	(23,996)
Capital grants and donations received (Note 9)	12,120	5,045
Cash flow from (used in) capital activities	(10,191)	(18,951)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Investments held for capital purposes	(658)	3,709
Cash flow from (used in) investing activities	(658)	3,709
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Accounts receivable, capital (Note 2)	(31)	-
Bank loans	-	(752)
Loans payable	(1,430)	(1,408)
Accounts payable, capital (Note 6)	50	(4,025)
Cash flows from (used for) financing activities	(1,411)	(6,185)
DECREASE IN CASH FOR THE YEAR	(20,040)	(4,317)
CASH, BEGINNING OF YEAR	46,560	50,877
CASH, END OF YEAR	26,520	46,560

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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 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. The Hospital operates under various regulations of the Ministry of Health and Long Term Care and other regulatory bodies. 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, such as the Windsor/Essex Hospitals 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.

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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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

d) Capital assets:

Capital assets are recorded at acquisition cost. The amortization rates are determined through Ministry Guidelines. 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, 33 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 (12.6 years in previous valuation – 2014).

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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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

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.

- 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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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

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.

j) Adoption of new accounting policy:

The Hospital adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Hospital adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

2. Accounts receivable:

Accounts receivable consist of:

	March 31, 2015 \$ (000)	March 31, 2014 \$ (000)
Ministry of Health and Long Term Care – operating	302	1,155
Ministry of Health and Long Term Care – capital	2,806	2,775
Insurers and patients	8,179	8,092
Other	8,185	6,654
Due from Hôtel-Dieu Grace Healthcare (Note 18)	3,282	-
	22,754	18,676
Allowance for doubtful accounts	(670)	(442)
	22,084	18,234

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

3. Investments held for capital purposes:

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

The changes in the investments are summarized below:

	2015 \$ (000)	2014 \$ (000)
Balance, beginning of year	2,771	6,480
Interest earned in the year	37	85
Funds applied against qualifying expenditures	-	(4,281)
Preferred accommodation, capital change	621	487
	3,429	2,771

These investments are classified as level 2.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

4. Capital assets:

Capital assets consist of:

March 31, 2015

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,151	32
Buildings	195,784	72,162	123,622
Equipment	116,126	88,482	27,644
Computer software and licenses	11,704	10,872	832
Construction in progress	14,798	-	14,798
	347,827	174,667	173,160

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

The amount of amortization included in the statements of revenue and expense is \$17,299,000 (\$15,810,000 in 2014).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

5. Bank loans:

There is no bank loan balance as at March 31, 2015. The Hospital has available for its use a revolving credit facility in the amount of \$15 million along with a \$5 million revolving credit facility for specific equipment.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	March 31, 2015 \$ (000)	March 31, 2014 \$ (000)
Accounts payable - trade	19,315	18,247
Accounts payable - capital	250	200
Vacation pay entitlement	21,850	21,810
Accrued salaries and benefits	12,208	10,607
Payroll withholdings	6,481	5,556
Ministry of Health and Long Term Care/LHIN	4,053	7,353
Deferred revenue – Cancer Care Ontario	1,917	2,301
Deferred revenue – Other	1,047	1,062
Due to Hôtel-Dieu Grace Healthcare (Note 18)	290	3,690
Other	880	801
	68,291	71,627

Included in accounts payable and accrued liabilities are government remittances payable of \$3,815,000 (\$3,649,000 - March 31, 2014), which include amounts for HST and payroll related matters.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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 roll-forward of this March 31, 2013 valuation.

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	4.36%	4.36%
◆ Discount rate – end of year	3.31%	3.31%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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 2014-2015:

	Increase (000's)	Decrease (000's)
Total service and interest costs	209	(176)
Benefit obligation at March 31, 2015	1,969	(1,695)

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

	2015 \$ (000)			2014 \$ (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	1,021	17,448	18,469	1,093	14,652	15,745
Current service cost	-	813	813	-	720	720
Interest costs	42	777	819	41	661	702
Expected termination from long term disability payments	(104)	-	(104)	(114)	-	(114)
Actuarial (gain) loss	164	2,499	2,663	(69)	(1,234)	(1,303)
Benefits paid	(116)	(871)	(987)	(122)	(851)	(973)
Plan amendments (Note 18)	-	163	163	-	6,743	6,743
Curtailments (Note 18)	-	-	-	-	(3,243)	(3,243)
Expected reserve for new claims	275	-	275	192	-	192
Balance at end of year	1,282	20,829	22,111	1,021	17,448	18,469
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	116	871	987	122	851	973
Return on plan assets	-	-	-	-	-	-
Benefits paid	(116)	(871)	(987)	(122)	(851)	(973)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(1,282)	(20,829)	(22,111)	(1,021)	(17,448)	(18,469)
Unamortized net actuarial losses	-	4,321	4,321	-	2,021	2,021
	(1,282)	(16,508)	(17,790)	(1,021)	(15,427)	(16,448)
Current portion	100	985	1,085	116	870	986
Long term portion	1,182	15,523	16,705	905	14,557	15,462

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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

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

	2015			2014		
	\$ (000)			\$ (000)		
	Employees on Long Term Disability	Post Employment	Total	Employees on Long Term Disability	Post Employment	Total
Current service cost	-	813	813	-	720	720
Interest cost	42	777	819	41	661	702
Expected terminations from long term disability benefits	(104)	-	(104)	(114)	-	(114)
Amortization of prior service costs	-	163	163	-	6,743	6,743
Recovery from Hôtel-Dieu Grace Healthcare	-	-	-	-	(4,200)	(4,200)
Amortization actuarial loss (gain)	164	199	363	(69)	1,546	1,477
Curtailment	-	-	-	-	(3,243)	(3,243)
Expected reserve for new claims	275	-	275	192	-	192
Total expense	377	1,952	2,329	50	2,227	2,277

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

8. Other long term liabilities:

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

	March 31, 2015 \$ (000's)	March 31, 2014 \$ (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.	11,329	11,796
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	4,227	4,380
2.69% interest rate renewable on February 12, 2022 with blended monthly payments of principal and interest of \$42,121.	7,790	8,046
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440.	8,838	9,088
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580.	11,600	11,904
Total other long term liabilities	43,784	45,214
Less: current portion	1,529	1,425
	42,255	43,789

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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

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

2016	1,529,000
2017	1,607,000
2018	1,675,000
2019	1,747,000
2020	1,819,000
Thereafter	<u>35,407,000</u>
 Total	 <u>\$43,784,000</u>

9. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2015

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	404	30
Buildings	132,120	34,240	97,880
Equipment	58,359	46,116	12,243
Construction in progress	9,687	-	9,687
	<u>200,600</u>	<u>80,760</u>	<u>119,840</u>

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>

The amount of amortization included in the statement of revenue and expense is \$6,376,000 (\$7,775,000 in 2014).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

9. Deferred capital grants: (Cont'd)

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

	2015 \$ (000)	2014 \$ (000)
Ministry of Child and Youth Services – Capital	-	354
Windsor Essex County Cancer Centre Foundation	4,170	37
Windsor/Essex Hospitals Foundation	594	-
Windsor Regional Hospital Foundation	-	2,373
Ministry of Health and Long Term Care – HIRF	1,195	450
Cancer Care Ontario	6,032	30
Grants related to Program Transfer	-	1,720
Other	129	81
	12,120	5,045

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

10. Cash flow information:

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

	2015 \$ (000)	2014 \$ (000)
Accounts receivable, non capital	(3,819)	(4,053)
Inventories	(825)	(681)
Prepaid and deferred charges	(732)	(906)
Due from related parties	219	(313)
Accounts payable and accrued liabilities, non capital	(3,386)	9,021
Accrued sick leave entitlements	12	(21)
Accrued benefit liabilities	1,342	5,504
	(7,189)	8,551

Interest paid during the year amounted to \$2,170,000 (\$2,234,000 in 2014).

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 \$17,722,000 (\$15,157,000 in 2014). These amounts are included in employee benefits expense in the statement of revenue and expense. The most recent actuarial valuation of the plan as at December 31, 2014 indicates that the plan is fully funded (2013 – fully funded).

12. Operating leases:

Under the terms of various non-capital equipment leases expiring through 2020, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2016	\$1,652,000
▪ 2017	\$1,432,000
▪ 2018	\$1,432,000
▪ 2019	\$1,410,000
▪ 2020	\$1,408,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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, 2015, 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 \$1,068,000.

The five member hospitals of TransForm have also provided a guarantee with respect to equipment that has been leased for TransForm's regional data centre. This guarantee from the respective hospitals limits the amount not to exceed the outstanding lease payments and is capped at the amount outstanding at the time of default. The guaranty limits is pro-rationally dispersed amongst the TransForm member hospitals based upon the funding formula outlined in their Regular Member Service Agreement. For the Hospital, this represents \$384,000 or 46.49% of the lease obligation outstanding as at March 31, 2015.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

14. Related party transactions:

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

- Windsor/Essex Hospitals Foundation and its predecessor, Windsor Regional Hospital Foundation and Hôtel-Dieu Grace Hospital Foundation

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, 2015, net resources of the Foundation amounted to \$18,904,000 (\$12,579,000 in 2014) of which \$10,500,000 (\$6,603,000 in 2014) 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, 2015, the Foundation had excess revenue over expense of \$1,190,000 (\$1,625,000 excess expense over revenue in 2014).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

14. Related party transactions: (Cont'd)

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

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

	March 31, 2015 \$ (000)	March 31, 2014 \$ (000)
Windsor/Essex Hospitals Foundation	1,065	1,284
	1,065	1,284

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

15. Financial results by business unit:

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

	2015 \$ (000)	2014 \$ (000)
Hospital Operations	(11,514)	(8,067)
Regional Children's Centre (Note 18)	-	1,842
	(11,514)	(6,225)

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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 \$8,142,000 (2014 - \$4,132,000) to TransForm for Information Technology/Information Systems services and for purchasing and payment services. The balance payable to TransForm at March 31, 2015 is \$293,000 (\$3,595,000 in 2014) and has been included in accounts payable. In addition, the Hospital paid \$209,000 (2014 - \$209,000) 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	2015 \$ (000)	2014 \$ (000)
(Deficiency) excess of revenue over expense for the year	(11,514)	(6,225)
Add (deduct): net building amortization	1,473	1,623
interest on long term liabilities	2,107	2,207
loss on deemed disposition of capital assets and capital grants	-	6,749
Year end total margin	(7,934)	4,354

The Hospital did not meet this performance indicator in 2015 (2014 – indicator met) and will be developing a plan to bring this indicator back to compliance at the earliest possible date.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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. The employees at that Campus became the employees of HDGH.

As part of this agreement, HDGH entered into a ninety-nine (99) year lease with the Hospital for the buildings on that Campus and as part of that lease, they are responsible for all operating costs related to that site.

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.

As part of this program transfer agreement (agreement) as described in Schedule 1.1 (nn), both parties agreed to a quarterly reconciliation process over the eighteen month period following the October 1, 2013 closing date. In this process, there is a reconciliation of revenue streams and funds that were transferred would be adjusted as necessary to ensure that HDGH and the Hospital have divided the operating budgets adequately between the two organizations to govern, manage and operate the programs and services on the Tayfour, Metropolitan and Ouellette campuses. The Hospital is of the opinion that the revenue streams are not properly allocated between the campuses and HDGH has indicated that they do not wish to participate in the reconciliation process as prescribed in the agreement. As a result, the Hospital has requested that this matter go to arbitration as allowed under this agreement. The funding being requested is of a material amount, but it has not been reflected in these financial statements as income of the Hospital or as an accounts receivable from HDGH.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2015

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 2014.

b) Interest rate risk

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