



FINANCIAL STATEMENTS

MARCH 31, 2018

Our Vision: Outstanding Care - No Exceptions!

Our Mission: Deliver an outstanding patient 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, 2018 the statements of revenue and expense, changes in net assets, statement of remeasurement gains 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Windsor Regional Hospital as at March 31, 2018, its results of operations, its remeasurement gains and losses and its cash flows for the year then ended 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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
June 7, 2018

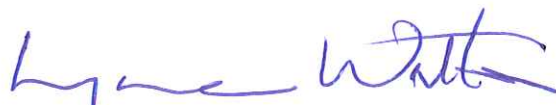
STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2018, with comparative information for 2017.

	2018 \$ (000)	2017 \$ (000)
ASSETS		
Current assets:		
Accounts receivable, net (Note 2)	26,629	23,047
Inventories	3,875	3,768
Prepaid and deferred charges	3,649	3,295
Due from related parties (Note 14)	3,153	690
	<u>37,306</u>	<u>30,800</u>
Investments held for capital purposes (Note 3)	5,007	4,516
Capital assets: (Note 4)		
Cost	388,428	375,657
Less: Accumulated amortization	212,552	200,002
	<u>175,876</u>	<u>175,655</u>
Total assets	<u>218,189</u>	<u>210,971</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Bank indebtedness (Note 5)	20,666	5,623
Accounts payable and accrued liabilities (Note 6)	68,954	69,322
Current portion of accrued benefit liabilities (Note 7)	1,117	1,035
Current portion of loans payable (Note 8)	2,355	2,264
	<u>93,092</u>	<u>78,244</u>
Long-Term liabilities:		
Loans payable (Note 8)	38,423	40,778
Accrued sick leave entitlements	6,901	7,074
Accrued benefit liabilities (Note 7)	19,884	19,161
Deferred capital grants net of amortization (Note 9)	124,328	118,648
Interest rate swaps	1,435	2,105
	<u>190,971</u>	<u>187,766</u>
Net assets - unrestricted	(64,439)	(52,934)
Accumulated remeasurement losses	(1,435)	(2,105)
Commitments and contingencies (Notes 12, 13 and 18)	-	-
Subsequent event (Note 5)	-	-
Total liabilities, deferred contributions and net assets	<u>218,189</u>	<u>210,971</u>

See accompanying notes to financial statements

On behalf of the Board:


Lynne Watts
Chairperson

Leanne Leech
Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2018, with comparative information for 2017.

	2018 \$ (000)	2017 \$ (000)
Balance, beginning of year	(52,934)	(44,322)
Deficiency of revenue over expense	(11,505)	(8,612)
Balance, end of year	(64,439)	(52,934)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

Year ended March 31, 2018, with comparative information for 2017.

	2018 \$ (000)	2017 \$ (000)
Balance, beginning of year	(2,105)	(2,731)
Unrealized gain attributable to interest rate swap	670	626
Balance, end of year	(1,435)	(2,105)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

Year ended March 31, 2018, with comparative information for 2017.

	2018 \$ (000)	2017 \$ (000)
Revenue:		
Provincial programs	416,329	406,504
Patient services	33,668	34,521
Other fees and revenue	44,856	43,209
	494,853	484,234
Expense:		
Salaries and wages	237,706	232,626
Employee benefits	58,975	56,163
Employee future benefits (Note 7)	1,874	2,209
Medical staff remuneration	50,759	51,683
Medical and surgical supplies	35,306	33,534
Drugs and medicines	47,963	42,530
Other supplies and expense	59,401	60,212
Equipment rental	1,824	1,803
Amortization of capital assets	12,550	12,086
	506,358	492,846
Deficiency of revenue over expense for the year	(11,505)	(8,612)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

Year ended March 31, 2018, with comparative information for 2017.

	2018 \$ (000)	2017 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Deficiency of revenue over expense for the year	(11,505)	(8,612)
Add items not involving cash:		
Loss on disposal of assets	-	307
Amortization of capital assets (Note 4)	12,550	12,086
Deferred grant amortization (Note 9)	(6,060)	(5,910)
	(5,015)	(2,129)
Cash flows from (used in) changes in operating balances (Note 10)	(7,445)	7,825
Cash flows from (used in) operating activities	(12,460)	5,696
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES:		
Additions to capital assets	(12,771)	(18,190)
Capital grants and donations received (Note 9)	11,740	11,507
Cash flow (used in) capital activities	(1,031)	(6,683)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Investments held for capital purposes (Note 3)	(491)	(544)
Cash flow used in investing activities	(491)	(544)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Accounts receivable, capital (Note 2)	240	(6,520)
Bank indebtedness	15,043	5,623
Loans payable	(2,264)	(2,180)
Accounts payable, capital (Note 6)	963	195
Cash flows from financing activities	13,982	(2,882)
DECREASE IN CASH FOR THE YEAR	-	(4,413)
CASH, BEGINNING OF YEAR	-	4,413
CASH, END OF YEAR	-	-

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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 and the Erie St. Clair Local Health Integration Network. In addition, revenue is generated from the provision of various patient services and treatments, as well as from ancillary and investment activities.

b) Revenue recognition:

The Hospital is funded primarily by the Province of Ontario through the Ministry of Health and Long-Term Care and the Local Health Integration Network. 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, 2018

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 14.0 years (14.1 years in previous valuation – 2017).

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, 2018

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, 2018

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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

2. Accounts receivable:

Accounts receivable consist of:

	March 31, 2018 \$ (000)	March 31, 2017 \$ (000)
Ministry of Health and Long-Term Care – operating	4,546	1,299
Ministry of Health and Long-Term Care – capital	7,463	7,703
Insurers and patients	7,486	7,218
Sales tax recoveries	2,269	2,384
Cancer Care Ontario drug funding	854	1,309
Other	5,111	4,359
	27,729	24,272
Allowance for doubtful accounts	(1,100)	(1,225)
	26,629	23,047

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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:

	2018 \$ (000)	2017 \$ (000)
Balance, beginning of year	4,516	3,972
Interest earned in the year	19	39
Preferred accommodation, capital charge	472	505
	5,007	4,516

These investments are classified as level 1.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

4. Capital assets:

Capital assets consist of:

March 31, 2018

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,183	-
Buildings	204,440	87,149	117,291
Equipment	136,000	110,368	25,632
Computer software and licenses	12,916	11,852	1,064
Construction in progress	25,657	-	25,657
	388,428	212,552	175,876

March 31, 2017

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,180	3
Buildings	200,918	82,090	118,828
Equipment	127,907	103,276	24,631
Computer software and licenses	12,514	11,456	1,058
Construction in progress	24,903	-	24,903
	375,657	200,002	175,655

The amount of amortization included in the statement of revenue and expense is \$12,550,000 (\$12,086,000 in 2017).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

5. Bank indebtedness:

The Hospital has available for its use a demand operating credit facility in the amount of \$25 million until April 16, 2018 at which time it reverts to \$15 million. The hospital also has a \$3.2 million revolving credit facility for specific equipment. As of March 31, 2018, the demand operating credit facility is in use in the amount of \$20,666,000.

Subsequent to March 31, 2018 Windsor Regional Hospital received a \$30 million cash advance from the Erie St. Clair Local Health Integration Network (ESC LHIN) on April 16, 2018. This cash is to be used as operational funding being applied against Bank indebtedness. The cash advance will be recovered in full through repayments to the ESC LHIN by March 31, 2019.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2018 \$ (000)	2017 \$ (000)
Accounts payable - trade	13,923	13,544
Accounts payable - capital	1,658	695
Vacation pay entitlement	22,329	22,282
Accrued salaries and benefits	15,786	19,276
Payroll withholdings	8,689	6,448
Ministry of Health and Long-Term Care/LHIN	4,841	5,556
Deferred revenue – Cancer Care Ontario	786	552
Deferred revenue – Other	94	107
Other	848	862
	68,954	69,322

Included in accounts payable and accrued liabilities are government remittances payable of \$4,059,000 (\$3,813,000 - March 31, 2017), which include amounts for HST and payroll related matters.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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, 2017. The next required valuation will be as of March 31, 2020. The year end disclosure of the benefits related to Long-Term disability is based on the March 31, 2018 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	6.52%	6.62%
- Ultimate	4.00%	4.00%
- Year of Ultimate level	2036	2036
◆ Dental care cost trend rate – first 10 years	4.00%	4.00%
◆ Dental care cost trend rate – next 10 years	4.00%	4.00%
◆ Discount rate – beginning of year	3.56%	3.56%
◆ Discount rate – end of year	3.37%	3.37%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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

Sensitivity Analysis - Assumed healthcare cost trend rates and discount rates have a significant effect on amounts reported for healthcare plans. A one percentage point change in assumed healthcare cost trend rates and a half of one percent change in the discount rate would have the following effect for 2017-2018:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
Health Care Trend Rate (+/- 1.0%):		
Total service and interest costs	222	(185)
Benefit obligation at March 31, 2018	2,013	(1,713)
 Discount Rate (+/- 0.5%):		
Total service and interest costs	(26)	27
Benefit obligation at March 31, 2018	(1,322)	1,484

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

	2018 \$ (000)			2017 \$ (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	1,660	18,728	20,388	1,394	18,454	19,848
Current service cost	-	951	951	-	908	908
Interest costs	58	709	767	50	726	776
Expected termination from						
Long-Term disability payments	(158)	-	(158)	(134)	-	(134)
Actuarial (gain) loss	(168)	747	579	248	492	740
Benefits paid	(132)	(937)	(1,069)	(110)	(923)	(1,033)
Plan amendments	56	448	504	36	(929)	(893)
Expected reserve for new claims	303	-	303	176	-	176
Balance at end of year	1,619	20,646	22,265	1,660	18,728	20,388
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	132	937	1,069	110	923	1,033
Benefits paid	(132)	(937)	(1,069)	(110)	(923)	(1,033)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(1,619)	(20,646)	(22,265)	(1,660)	(18,728)	(20,388)
Unamortized net actuarial losses	-	1,264	1,264	-	192	192
	(1,619)	(19,382)	(21,001)	(1,660)	(18,536)	(20,196)
Current portion	124	993	1,117	130	905	1,035
Long-Term portion	1,495	18,389	19,884	1,530	17,631	19,161

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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

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

	2018			2017		
	\$ (000)			\$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
Current service cost	-	952	952	-	908	908
Interest cost	58	709	767	50	726	776
Expected terminations from Long-Term disability benefits	(158)	-	(158)	(134)	-	(134)
Amortization of prior service costs	56	449	505	36	(929)	(893)
Amortization of actuarial loss	(168)	(327)	(495)	248	1,128	1,376
Expected reserve for new claims	303	-	303	176	-	176
Total expense	91	1,783	1,874	376	1,833	2,209

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

8. Long-Term liabilities:

The Hospital has the following Long-Term liabilities as at March 31:

	2018 \$ (000's)	2017 \$ (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.	9,778	10,320
Committed non-revolving unsecured instalment loan funded at a five year fixed rate of 2.44% maturing March 28, 2021 with blended monthly payments of principal and interest of \$52,613.	1,825	2,403
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:		
2.86% interest rate renewable on February 12, 2024 with blended monthly payments of principal and interest of \$23,241	3,737	3,907
2.69% interest rate renewable on February 12, 2022 with blended monthly payments of principal and interest of \$42,121	6,868	7,184
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440	8,002	8,296
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580	10,568	10,932
Total long-Term debt	40,778	43,042
Less: current portion	2,355	2,264
	38,423	40,778

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

8. Long-Term debt: (Cont'd)

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

2019	2,355,000
2020	2,419,000
2021	2,549,000
2022	2,015,000
2023	2,108,000
Thereafter	<u>29,332,000</u>
Total	<u>\$40,778,000</u>

9. Deferred capital grants:

Deferred capital grants consist of:

March 31, 2018

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	434	-
Buildings	137,924	44,377	93,547
Equipment	67,291	54,395	12,896
Construction in progress	17,885	-	17,885
	<u>223,534</u>	<u>99,206</u>	<u>124,328</u>

March 31, 2017

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	430	4
Buildings	134,803	40,946	93,857
Equipment	61,034	51,770	9,264
Construction in progress	15,523	-	15,523
	<u>211,794</u>	<u>93,146</u>	<u>118,648</u>

The amount of amortization included in the statement of revenue and expense is \$6,060,000 (\$5,910,000 in 2017).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

9. Deferred capital grants: (Cont'd)

During the year, capital grants and donations were received from:

	2018 \$ (000)	2017 \$ (000)
Windsor Essex County Cancer Centre Foundation	270	40
Windsor Regional Hospital Foundation	4,182	431
Ministry of Health and Long-Term Care – HIRF	714	812
Ministry of Health and Long-Term Care – Capital Planning Grant	2,542	8,384
Ministry of Health and Long-Term Care – HEEP	150	-
Cancer Care Ontario	3,598	1,741
Other	284	99
	11,740	11,507

10. Cash flow information:

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

	2018 \$ (000)	2017 \$ (000)
Accounts receivable, non capital	(3,822)	2,772
Inventories	(107)	354
Prepaid and deferred charges	(354)	(973)
Due from related parties	(2,463)	(388)
Accounts payable and accrued liabilities, non capital	(1,331)	4,642
Accrued sick leave entitlements	(173)	242
Accrued benefit liabilities	805	1,176
	(7,445)	7,825

Interest paid during the year amounted to \$2,115,000 (\$2,009,000 in 2017).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

11. Pension expense:

Substantially, all of the employees of the Hospital are eligible to be members of the Healthcare 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 \$19,558,000 (\$18,417,000 in 2017). 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, 2017 indicates that the plan is fully funded (2016 – fully funded).

12. Operating leases:

Under the terms of various non-capital equipment leases expiring through 2023, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2019	\$2,056,000
▪ 2020	\$2,177,000
▪ 2021	\$2,177,000
▪ 2022	\$2,011,000
▪ 2023	\$1,785,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

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, 2018, 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 Healthcare (HDGH) and Erie Shores Healthcare (ESH) 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 provides the purchasing and payment responsibilities and Information Technology/Information System services for the five hospitals. The Hospital has provided a guarantee to TransForm's bank in the amount of \$291,000.

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 guarantee limit 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 \$627,000 or 46.59% of the lease obligation outstanding as at March 31, 2018.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

14. Related party transactions:

The Hospital administers the receipt and disbursement of funds on behalf of Windsor Regional Hospital Foundation (formerly known as Windsor/Essex Hospitals 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, 2018, net resources of the Foundation amounted to \$14,833,000 (\$17,955,000 in 2017) of which \$12,832,000 (\$15,834,000 in 2017) 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, 2018, the Foundation had deficiency of revenue over expense of \$3,122,000 (\$1,980,000 excess revenue over expense in 2017).

The amount owing from the Foundation as at March 31, 2018 is \$3,153,000 (\$690,000 as at March 31, 2017). These amounts are settled as mutually agreed upon in the next fiscal year.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2018

15. 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 \$9,200,000 (2017 - \$9,100,000) to TransForm for Information Technology/Information Systems services and for purchasing and payment services. The balance payable to TransForm at March 31, 2018 is \$612,000 (\$283,000 in 2017) and has been included in accounts payable. In addition, the Hospital paid \$276,000 (2017 - \$373,000) for its share of a loan.

16. 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/ Erie St. Clair Health Care Integration Network, 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	2018 \$ (000)	2017 \$ (000)
Deficiency of revenue over expense for the year	(11,505)	(8,612)
Add (deduct): net building amortization	1,622	1,666
interest on Long-Term liabilities	1,870	1,955
Year end total margin	(8,013)	(4,991)

The Hospital did not meet this performance indicator in 2018 (2017 – indicator not 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, 2018

17. 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 2017.

b) Interest rate risk

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

18. LHIN Led Optimization Review

The Erie St. Clair Local Health Integration Network (ESC LHIN) is conducting a ESC LHIN Led Optimization Review (The Review) to examine the current and future financial health of Windsor Regional Hospital (WRH). This Review has been voluntarily agreed upon by WRH and the ESC LHIN and is supported by the Ministry of Health and Long Term Care (MOH). This Review emanates from the recently announced move of the Windsor-Essex Hospital's capital project and the acute care hospital/urgent care centre component to Stage 2 in the MOH capital planning process as well as the WRH Hospital's request for base funding and working capital adjustments.

It is anticipated that the review will set the stage for the resources and transformation required as the hospital prepares to transition to the new acute care site recently approved by the Government of Ontario.