



# ***FINANCIAL STATEMENTS***

***MARCH 31, 2019***

***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

### *Opinion*

We have audited the financial statements of Windsor Regional Hospital (the "Hospital"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of revenue and expense for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



### ***Responsibility of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada  
June 13, 2019

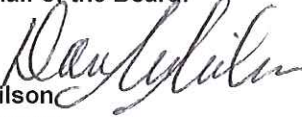
## STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2019, with comparative information for 2018.

	2019 \$ (000)	2018 \$ (000)
<b>ASSETS</b>		
Current assets:		
Accounts receivable, net (Note 2)	26,836	26,629
Inventories	3,876	3,875
Prepaid and deferred charges	3,447	3,649
Due from related parties (Note 14)	2,337	3,153
	36,496	37,306
Investments held for capital purposes (Note 3)	5,565	5,007
Capital assets: (Note 4)		
Cost	399,827	388,428
Less: Accumulated amortization	226,242	212,552
	173,585	175,876
<b>Total assets</b>	<b>215,646</b>	<b>218,189</b>
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b>		
Current liabilities:		
Bank indebtedness (Note 5)	29,457	20,666
Bank indebtedness H.I.S project financing (Note 5)	3,294	-
Accounts payable and accrued liabilities (Note 6)	70,101	68,954
Current portion of accrued benefit liabilities (Note 7)	1,049	1,117
Current portion of loans payable (Note 8)	2,418	2,355
	106,319	93,092
Long-Term liabilities:		
Loans payable (Note 8)	36,005	38,423
Accrued sick leave entitlements	7,348	6,901
Accrued benefit liabilities (Note 7)	21,433	19,884
Deferred capital grants net of amortization (Note 9)	120,372	124,328
Interest rate swaps	1,501	1,435
	186,659	190,791
Net assets - unrestricted	(75,831)	(64,439)
Accumulated rereasurement losses	(1,501)	(1,435)
Commitments and contingencies (Notes 12 and 13)		
Subsequent events (Note 5 and 12)		
<b>Total liabilities, deferred contributions and net assets</b>	<b>215,646</b>	<b>218,189</b>

See accompanying notes to financial statements

On behalf of the Board:

  
Dan Wilson  
Chairperson

  
Michael Lavoie  
Treasurer

## WINDSOR REGIONAL HOSPITAL

## STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2019, with comparative information for 2018.

	2019 \$ (000)	2018 \$ (000)
Balance, beginning of year	(64,439)	(52,934)
Deficiency of revenue over expense	(11,392)	(11,505)
Balance, end of year	(75,831)	(64,439)

*See accompanying notes to financial statements*

## WINDSOR REGIONAL HOSPITAL

## STATEMENT OF ACCUMULATED REMEASUREMENT LOSSES

Year ended March 31, 2019, with comparative information for 2018.

	2019 \$ (000)	2018 \$ (000)
Balance, beginning of year	(1,435)	(2,105)
Unrealized gain/(loss) attributable to interest rate swap	(66)	670
Balance, end of year	(1,501)	(1,435)

See accompanying notes to financial statements

## WINDSOR REGIONAL HOSPITAL

## STATEMENT OF REVENUE AND EXPENSE

Year ended March 31, 2019, with comparative information for 2018.

	2019 \$ (000)	2018 \$ (000)
Revenue:		
Provincial programs	432,536	416,329
Patient services	34,880	33,668
Other fees and revenue	48,029	44,856
	515,445	494,853
Expense:		
Salaries and wages	244,625	237,706
Employee benefits	60,537	58,975
Employee future benefits (Note 7)	2,598	1,874
Medical staff remuneration	52,680	50,759
Medical and surgical supplies	35,701	35,306
Drugs and medicines	52,477	47,963
Other supplies and expense	62,364	59,401
Equipment rental	2,165	1,824
Amortization of capital assets	13,690	12,550
	526,837	506,358
Deficiency of revenue over expense for the year	(11,392)	(11,505)

See accompanying notes to financial statements



## WINDSOR REGIONAL HOSPITAL

## STATEMENT OF CASH FLOWS

Year ended March 31, 2019, with comparative information for 2018.

	2019 \$ (000)	2018 \$ (000)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Deficiency of revenue over expense for the year	(11,392)	(11,505)
Add items not involving cash:		
Amortization of capital assets (Note 4)	13,690	12,550
Deferred grant amortization (Note 9)	(6,663)	(6,060)
	(4,365)	(5,015)
Cash flows used in changes in operating balances (Note 10)	(584)	(7,445)
<b>Cash flows used in operating activities</b>	<b>(4,949)</b>	<b>(12,460)</b>
<b>CASH FLOWS USED IN CAPITAL ACTIVITIES:</b>		
Additions to capital assets	(11,399)	(12,771)
Capital grants and donations received (Note 9)	2,707	11,740
<b>Cash flow used in capital activities</b>	<b>(8,692)</b>	<b>(1,031)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Investments held for capital purposes (Note 3)	(558)	(491)
<b>Cash flow used in investing activities</b>	<b>(558)</b>	<b>(491)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Accounts receivable, capital (Note 2)	5,437	240
Bank indebtedness	12,085	15,043
Loans payable	(2,355)	(2,264)
Accounts payable, capital (Note 6)	(968)	963
<b>Cash flows from financing activities</b>	<b>14,199</b>	<b>13,982</b>
<b>NET CHANGE IN CASH FOR THE YEAR</b>	<b>-</b>	<b>-</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>
<b>CASH, END OF YEAR</b>	<b>-</b>	<b>-</b>

See accompanying notes to financial statements

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 1. Nature of business and significant accounting policies:

Windsor Regional Hospital (the "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:

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, 2019

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 14.5 years (14.0 years in previous valuation – 2018).

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, 2019

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, 2019

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, 2019

### 2. Accounts receivable:

Accounts receivable consist of:

	March 31, 2019 \$ (000)	March 31, 2018 \$ (000)
Ministry of Health and Long-Term Care – operating	9,983	4,546
Ministry of Health and Long-Term Care – capital	2,026	7,463
Insurers and patients	7,488	7,486
Sales tax recoveries	2,404	2,269
Cancer Care Ontario – drug funding	2,094	854
Other	3,816	5,111
	27,811	27,729
Allowance for doubtful accounts	(975)	(1,100)
	26,836	26,629

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 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:

	2019 \$ (000)	2018 \$ (000)
Balance, beginning of year	5,007	4,516
Interest earned in the year	31	19
Preferred accommodation, capital charge	527	472
	5,565	5,007

These investments are classified as Level 1.

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 4. Capital assets:

Capital assets consist of:

**March 31, 2019**

	\$ (000)		
	Cost	Accumulated Amortization	Net Book Value
Land	6,232	-	6,232
Land improvements	3,183	3,183	-
Buildings	216,938	92,766	124,172
Equipment	141,595	117,968	23,627
Computer software and licenses	13,641	12,325	1,316
Construction in progress	18,238	-	18,238
	399,827	226,242	173,585

**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

The amount of amortization included in the statement of revenue and expense is \$13,690,000 (\$12,550,000 in 2018).



# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 5. Bank indebtedness:

The Hospital has available for its use a demand operating credit facility in the amount of \$40 million until April 16, 2019 at which time it reverts to \$15 million. As of March 31, 2019, the demand operating credit facility is in use in the amount of \$29,457,000 (\$20,666,000 in 2018).

On April 16<sup>th</sup>, 2019 the Hospital received a \$40 million cash advance from the Ministry of Health and Long Term Care and Erie St. Clair Local Health Integration Network (ESC LHIN). 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, 2020.

The Hospital has also established a \$19.1 million credit facility for the financing of the first phase of the Hospital Information System project (see Note 13. d). As of March 31, 2019, this credit facility is in use in the amount of \$3,294,000. This credit facility terms include an interest rate of prime rate less 40 bps per annum, interest only payments for two years and the lender's right to require immediate payment of the balance.

### 6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2019 \$ (000)	2018 \$ (000)
Accounts payable - trade	15,133	13,923
Accounts payable - capital	690	1,658
Vacation pay entitlement	22,953	22,329
Accrued salaries and benefits	15,219	15,786
Payroll withholdings	7,593	8,689
Ministry of Health and Long-Term Care/LHIN	6,536	4,841
Deferred revenue – Cancer Care Ontario	503	786
Deferred revenue – Other	794	94
Other	681	848
	<u>70,102</u>	<u>68,954</u>

Included in accounts payable and accrued liabilities are government remittances payable of \$4,029,000 (\$4,059,000 - March 31, 2018), which include amounts for HST and payroll related matters.

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 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, 2019. The next required valuation will be as of March 31, 2022. The year end disclosure of the benefits related to Long-Term disability is based on the March 31, 2019 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	6.00%	5.57%
- Ultimate	4.00%	3.83%
- Year of Ultimate level	2039	2039
◆ 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	3.37%	3.37%
◆ Discount rate – end of year	3.18%	3.18%

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

### YEAR ENDED MARCH 31, 2019

#### 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 2018-2019:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
<b>Health Care Trend Rate (+/- 1.0%):</b>		
Total service and interest costs	208	(173)
Benefit obligation at March 31, 2019	1,702	(1,454)
<b>Discount Rate (+/- 0.5%):</b>		
Total service and interest costs	(35)	38
Benefit obligation at March 31, 2019	(1,384)	1,560

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

	2019 \$ (000)			2018 \$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
<b>Accrued benefit obligations:</b>						
Balance at beginning of year	1,619	20,646	22,265	1,660	18,728	20,388
Current service cost	-	1,020	1,020	-	951	951
Interest costs	53	714	767	58	709	767
Expected termination from						
Long-Term disability payments	(162)	-	(162)	(158)	-	(158)
Actuarial (gain) loss	442	(866)	(424)	(168)	747	579
Benefits paid	(124)	(993)	(1,117)	(132)	(937)	(1,069)
Plan amendments	-	-	-	56	448	504
Expected reserve for new claims	363	-	363	303	-	303
Balance at end of year	2,191	20,521	22,712	1,619	20,646	22,265
<b>Plan assets:</b>						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	124	993	1,117	132	937	1,069
Benefits paid	(124)	(993)	(1,117)	(132)	(937)	(1,069)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(2,191)	(20,521)	(22,712)	(1,619)	(20,646)	(22,265)
Unamortized net actuarial losses	-	230	230	-	1,264	1,264
	(2,191)	(20,291)	(22,482)	(1,619)	(19,382)	(21,001)
<b>Current portion</b>	186	863	1,049	124	993	1,117
<b>Long-Term portion</b>	2,005	19,428	21,433	1,495	18,389	19,884

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

**YEAR ENDED MARCH 31, 2019**

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

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

	2019			2018		
	\$ (000)			\$ (000)		
	Employees on Long-Term Disability	Post Employment	Total	Employees on Long-Term Disability	Post Employment	Total
Current service cost	-	1,020	1,020	-	952	952
Interest cost	53	714	767	58	709	767
Expected terminations from						
Long-Term disability benefits	(162)	-	(162)	(158)	-	(158)
Amortization of prior service costs	-	-	-	56	449	505
Amortization of actuarial loss	442	168	610	(168)	(327)	(495)
Expected reserve for new claims	363	-	363	303	-	303
<b>Total expense</b>	<b>696</b>	<b>1,902</b>	<b>2,598</b>	<b>91</b>	<b>1,783</b>	<b>1,874</b>

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

### YEAR ENDED MARCH 31, 2019

#### 8. Long-Term liabilities:

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

	2019 \$ (000's)	2018 \$ (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.	9,208	9,778
\$6.8 million credit facility designated for specific equipment purchases. As of March 31, 2019 (\$1.8 million) is utilized as a 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. In April 2019 an additional \$1.6 million of this facility was committed for equipment purchases made in the 2018-19 fiscal year. This portion will be amortized over 5 years at 3.26% requiring a monthly payment of \$29,260.	1,231	1,825
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	3,563	3,737
2.69% interest rate renewable on February 12, 2022 with blended monthly payments of principal and interest of \$42,121	6,544	6,868
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440	7,694	8,002
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580	10,183	10,568
Total long-term debt	38,423	40,778
Less: current portion	2,418	2,355
	36,005	38,423

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

**YEAR ENDED MARCH 31, 2019**

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

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

2020	2,418,000
2021	2,209,000
2022	1,657,000
2023	1,732,000
2024	1,237,000
Thereafter	<u>29,170,000</u>
 Total	 <u>\$38,423,000</u>

**9. Deferred capital grants:**

Deferred capital grants consist of:

**March 31, 2019**

	\$ (000)		
	Grant	Accumulated Amortization	Net
Land improvements	434	434	-
Buildings	150,470	48,359	102,111
Equipment	69,525	57,076	12,449
Construction in progress	5,812	-	5,812
	<u>226,241</u>	<u>105,869</u>	<u>120,372</u>

**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>

The amount of amortization included in the statement of revenue and expense is \$6,663,000 (\$6,060,000 in 2018).

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 9. Deferred capital grants: (Cont'd)

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

	2019 \$ (000)	2018 \$ (000)
Windsor Essex County Cancer Centre Foundation	288	270
Windsor Regional Hospital Foundation	947	4,182
Ministry of Health and Long-Term Care – HIRF	1,543	714
Ministry of Health and Long-Term Care – Capital Planning Grant	-	2,542
Ministry of Health and Long-Term Care – HEEP	-	150
Cancer Care Ontario	(180)	3,598
Other	109	284
	<hr/>	<hr/>
	2,707	11,740

### 10. Cash flow information:

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

	2019 \$ (000)	2018 \$ (000)
Accounts receivable, non capital	(5,644)	(3,822)
Inventories	(1)	(107)
Prepaid and deferred charges	202	(354)
Due from related parties	816	(2,463)
Accounts payable and accrued liabilities, non capital	2,115	(1,331)
Accrued sick leave entitlements	447	(173)
Accrued benefit liabilities	1,481	805
	<hr/>	<hr/>
	(584)	(7,445)

Interest paid during the year amounted to \$1,939,000 (\$2,115,000 in 2018).

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 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 \$20,382,000 (\$19,558,000 in 2018). 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, 2018 indicates that the plan is fully funded (2017 – fully funded).

### 12. Leases:

Under the terms of various non-capital equipment leases expiring through 2024, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2020	\$2,752,000
▪ 2021	\$2,814,000
▪ 2022	\$2,648,000
▪ 2023	\$1,672,000
▪ 2024	\$1,249,000

In April 2019 the Hospital entered into a capital lease agreement for a PET CT scanner. The annual lease payments of \$752,000 are included above. The total lease obligation is \$2,256,000.



# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 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, 2019, 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 \$379,000 (\$627,000 in 2018) or 46.59% of the lease obligation outstanding as at March 31, 2019.

- d) The Hospital along with CKHA, HDGH, and ESH have entered into an agreement with Cerner Corporation to replace each organization's existing Health Information System. The Hospital's portion of the project is \$52.2 million.

# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 14. Related party transactions:

The Hospital administers the receipt and disbursement of funds on behalf of Windsor Regional 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, 2019, net resources of the Foundation amounted to \$15,964,000 (\$14,833,000 in 2018) of which \$13,615,000 (\$12,832,000 in 2018) 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, 2019, the Foundation had surplus of revenue over expense of \$1,131,000 (\$3,122,000 deficiency of revenue over expense in 2018).

The amount owing from the Foundation as at March 31, 2019 is \$2,337,000 (\$3,153,000 as at March 31, 2018). These amounts are settled as mutually agreed upon in the next fiscal year.



# WINDSOR REGIONAL HOSPITAL

## Notes to Financial Statements

YEAR ENDED MARCH 31, 2019

### 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 2018.

#### b) Interest rate risk

The Hospital is exposed to interest rate risk on its investments and on its bank loan and loans payable. There has been no change to the risk exposures from 2018.