



FINANCIAL STATEMENTS

MARCH 31, 2012

Our Vision : Outstanding Care - No Exceptions!
Our Mission : We provide Outstanding Care with Compassion



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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 ("the Entity"), which comprise the statement of financial position as at March 31, 2012, the statements of revenue and expense, changes in net assets 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 generally accepted accounting principles, 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, financial position of Windsor Regional Hospital as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 7, 2012
Windsor, Ontario

WINDSOR REGIONAL HOSPITAL

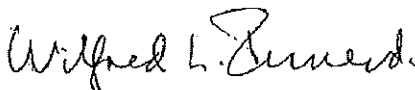
(Incorporated without share capital under the laws of Ontario)

STATEMENT OF FINANCIAL POSITIONAs at March 31, 2012
(with comparative figures at March 31, 2011)

	2012 \$ (000)	2011 \$ (000)
ASSETS		
Current assets:		
Cash (Notes 6 and 16)	130,466	34,808
Accounts receivable, net (Note 2)	16,920	11,776
Inventories	2,250	2,015
Prepaid and deferred charges	1,832	2,455
Due from related parties (Note 14)	641	366
	152,109	51,420
Investments held for capital purposes (Note 3)	6,103	8,563
Capital assets: (Note 4)		
Cost	495,748	395,710
Less: Accumulated amortization	189,685	178,545
	306,063	217,165
Total assets	464,275	277,148
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank loans (Note 5)	1,579	16,661
Accounts payable and accrued liabilities (Note 6)	155,608	56,653
Current portion of accrued benefit liabilities (Note 7)	808	642
Current portion of other long term liabilities (Note 8)	1,402	1,226
	159,397	75,182
Long term:		
Accrued benefit liabilities (Note 7)	9,581	8,555
Accrued sick leave entitlements	6,970	6,882
Other long term liabilities (Note 8)	49,034	35,315
Deferred capital grants net of amortization (Note 9)	255,843	169,403
	321,428	220,155
Total liabilities	480,825	295,337
Net assets	(16,550)	(18,189)
Commitments and contingencies (Notes 12,13 and 17)	-	-
	464,275	277,148

See accompanying notes to financial statements

On behalf of the Board:


Wilfred L. Innerd
Chairperson

Leanne Leech
Treasurer

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 Total \$ (000)	2011 Total \$ (000)
Balance, beginning of year	(18,189)	(21,010)
Excess of revenue over expense	1,639	2,821
Balance, end of year	(16,550)	(18,189)

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSE

For the year ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 \$ (000)	2011 \$ (000)
Revenue:		
Provincial programs	261,432	252,668
Patient services	23,826	25,600
Other fees and revenue	32,586	32,594
	317,844	310,862
Expense:		
Salaries and wages	159,740	155,849
Employee benefits	36,165	35,477
Employee future benefits (Note 7)	1,904	1,363
Medical staff remuneration	28,681	26,155
Medical and surgical supplies	14,011	13,670
Drugs and medicines	21,899	20,543
Other supplies and expense	40,520	39,811
Equipment rental	2,145	2,514
Amortization of capital assets	11,140	12,659
	316,205	308,041
Excess of revenue over expense for the year	1,639	2,821

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

STATEMENT OF CASH FLOWS

For the year ended March 31, 2012
(with comparative figures for the year ended March 31, 2011)

	2012 \$ (000)	2011 \$ (000)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Excess of revenue over expense for the year	1,639	2,821
Add items not involving cash:		
Amortization of capital assets	11,140	12,659
Deferred grant amortization	(7,128)	(8,681)
Loss on swap contract marked to market	1,417	45
	7,068	6,844
Cash flows from changes in operating balances (Note 10)	(216)	4,220
Cash flows from operating activities	6,852	11,064
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to capital assets	(100,038)	(7,593)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Investments held for capital purposes (Note 3)	2,460	(5,430)
Bank loans (Note 5)	(15,082)	(1,500)
Capital grants and donations received (Note 9)	93,568	10,532
Other long term liabilities (Note 8)	12,478	(1,180)
Accounts payable, capital (Note 6)	95,420	1,285
Cash flows from financing activities	188,844	3,707
INCREASE IN CASH FOR THE YEAR	95,658	7,178
CASH, BEGINNING OF YEAR	34,808	27,630
CASH, END OF YEAR	130,466	34,808

See accompanying notes to financial statements

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

1. Nature of business and significant accounting policies:

Windsor Regional Hospital (Hospital) follows Canadian generally accepted accounting principles. A summary of these policies considered significant is presented below.

a) Operation of the Hospital:

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

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

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

The Hospital is a non-profit organization and, as such, is exempt from income tax.

b) 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.

c) Capital grants:

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.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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

d) Capital assets:

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

Upon sale or retirement, the cost of the capital asset, plus related accumulated amortization and unamortized deferred grants, is removed from the accounts and the gain or loss on disposal is recorded.

e) Impairment of long-lived assets:

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.

f) Interest rate swap:

The Hospital has entered into an interest rate swap agreement to convert variable interest rates on unsecured banker's acceptance to a fixed rate. The Hospital has assessed its hedging policy and documentation process according to Handbook Section 3855, Financial Instruments – Recognition and Measurement, and determined that it does not meet the standard to apply hedge accounting.

Accordingly, the interest rate swap contract is marked to market with the gain or loss recorded in the statement of revenue and expense as part of other supplies and expense.

g) Employee future benefits:

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of termination rates, retirement age and expected inflation rate with respect to employee benefit costs. The excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service lifetime of the active employees commencing in the year following the actuarial valuation giving rise to the experience gain (loss) for the Post Employment Plan. 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 13.25 years.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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

g) Employee future benefits: (Cont'd)

Costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the time of amendment.

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

h) 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.

i) 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.

j) Financial instruments:

The Hospital accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded through the statement of changes in net assets until the investment is derecognized or impaired, at which time the amounts would be recorded in net earnings.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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

j) Financial instruments: (Cont'd)

In accordance with the generally accepted accounting principles, the Hospital has classified its financial instruments as follows:

- cash is designated as held-for-trading, being measured at fair value
- short-term and restricted investments are classified as available-for-sale financial assets with changes in fair value recognized in the statement of changes in net assets.

k) 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.

l) Future accounting policy:

In November of 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Hospital is currently evaluating the impact of these standards on the Hospital's financial statements.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

2. Accounts receivable:

Accounts receivable consist of:

	2012 \$ (000)	2011 \$ (000)
Ministry of Health and Long Term Care - operating	1,163	1,722
Insurers and patients	6,056	5,936
Other	10,033	4,432
	17,252	12,090
Allowance for doubtful accounts	(332)	(314)
	16,920	11,776

3. Investments held for capital purposes:

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

The changes in the investments are summarized below:

	2012 \$ (000)	2011 \$ (000)
Balance at beginning of year	8,563	3,133
Interest earned in the year	134	85
Funds applied against qualifying expenditures	(92,336)	(2,519)
Payment received from Ministry of Health and Long Term Care	89,312	7,462
Preferred accommodation capital charge	430	402
Balance at end of year	6,103	8,563

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

4. Capital assets:

Capital assets consist of:

	2012 \$ (000)		2011 \$ (000)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	6,473	-	6,473	-
Land improvements	3,183	3,098	3,183	3,079
Buildings	264,979	90,513	257,912	84,482
Equipment	98,920	86,677	94,969	82,177
Computer software and licenses	11,071	9,397	10,178	8,807
Construction in progress	111,122	-	22,995	-
	495,748	189,685	395,710	178,545

The amount of amortization included in the statement of revenue and expense is \$11,140,000 (\$12,659,000 in 2011).

5. Bank loans:

Bank loans consist of:

	2012 \$ (000)	2011 \$ (000)
Revolving credit facility	1,579	2,599
Demand installment loan: Principal	-	13,070
Fair value of Swap (Note 8)	-	992
	-	14,062
	1,579	16,661

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

5. **Bank loans:** (Cont'd)

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

6. **Accounts payable and accrued liabilities:**

Accounts payable and accrued liabilities consist of:

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

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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 1, 2010 with balances projected to March 31, 2012. The next required valuation will be as of March 31, 2013. The year end disclosure of the benefits related to long term disability is based on a valuation as at March 31, 2012.

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	8.13%	6.60%
- Ultimate	8.13%	3.00%
- Year of Ultimate level	2012	2030
◆ Dental care cost trend rate – first 10 years	4.00%	4.00%
◆ Dental care cost trend rate – next 10 years	3.50%	3.50%
◆ Dental care cost trend rate – thereafter	3.00%	3.00%
◆ Discount rate – beginning of year	5.35%	5.35%
◆ Discount rate – end of year	4.40%	4.40%

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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 2011-2012:

	<u>Increase (000's)</u>	<u>Decrease (000's)</u>
Total service and interest costs	204	(156)
Benefit obligation at March 31, 2012	2,057	(1,660)

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

	2012 \$ (000)			2011 \$ (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	1,010	9,017	10,027	693	8,493	9,186
Current service cost	-	283	283	-	148	148
Interest costs	52	572	624	38	481	519
Expected terminations from long term disability payments	(128)	-	(128)	(96)	-	(96)
Actuarial (gain) loss	295	631	926	144	433	577
Benefits paid	(90)	(622)	(712)	(69)	(538)	(607)
Plan amendments	-	1,707	1,707	-	-	-
Expected reserves for new claims	300	-	300	300	-	300
Balance at end of year	1,439	11,588	13,027	1,010	9,017	10,027
Plan assets:						
Balance at beginning of year	-	-	-	-	-	-
Employer contributions	90	622	712	69	538	607
Return on plan assets	-	-	-	-	-	-
Benefits paid	(90)	(622)	(712)	(69)	(538)	(607)
Balance at end of year	-	-	-	-	-	-
Funded status – (deficit)	(1,439)	(11,588)	(13,027)	(1,010)	(9,017)	(10,027)
Unamortized past service cost	-	4,637	4,637	-	3,600	3,600
Unamortized net actuarial gains	-	(1,999)	(1,999)	-	(2,770)	(2,770)
	(1,439)	(8,950)	(10,389)	(1,010)	(8,187)	(9,197)
Current portion	112	696	808	90	552	642
Long term portion	1,327	8,254	9,581	920	7,635	8,555

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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

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

	2012 \$ (000)			2011 \$ (000)		
	Employees on Long Term Disability	Post Employment	Total	Employees on Long Term Disability	Post Employment	Total
Current service cost	-	283	283	-	148	148
Interest cost	52	573	625	38	481	519
Expected terminations from long term disability benefits	(128)	-	(128)	(96)	-	(96)
Amortization of net actuarial (gain) loss	295	(1,178)	(883)	144	(192)	(48)
Amortization of plan amendments	-	1,707	1,707	-	540	540
Expected reserve for new claims	300	-	300	300	-	300
Total expense	519	1,385	1,904	386	977	1,363

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

8. Other long term liabilities:

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

	2012 \$ (000's)	2011 \$ (000's)
5.87% interest rate loan due April 2012, repayable in blended quarterly payments of principal and interest of \$94,000. The loan is secured by a collateral charge against certain pieces of equipment.	\$ 94	\$ 456
Committed non-revolving instalment loan funded through unsecured banker's acceptances with a minimum stamping fee of .35% per annum, and subject to an interest rate-swap agreement which effectively fixes the underlying banker's acceptance rate applicable to this loan at 5.035% until November 30, 2030. The principal and interest payments are made each month.	12,700	-
Fair value of swap	2,409	-
Bank loan due February 2030, comprised of four tranches with each tranche bearing its own interest rate. The loan is unsecured and is being amortized over a 25 year period. The terms are as follows:		
2.98% (2.33% in 2011) interest rate renewable on February 12, 2017 with blended monthly payments of principal and interest of \$23,469 (\$21,945 in 2011).	4,673	4,824
3.80% interest rate renewable on February 15, 2015 with blended monthly payments of principal and interest of \$46,505.	8,531	8,759
5.00% interest rate renewable on February 15, 2020 with blended monthly payments of principal and interest of \$58,440.	9,559	9,773
5.60% interest rate maturing on February 15, 2030 with blended monthly payments of principal and interest of \$80,580.	12,470	12,729
	35,233	36,085
Total other long term liabilities	50,436	36,541
Less: current portion	1,402	1,226
	\$49,034	\$35,315

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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

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

2013	\$ 1,402,000
2014	1,410,000
2015	1,439,000
2016	1,508,000
2017	1,580,000
Thereafter	<u>43,097,000</u>
	<u>\$50,436,000</u>

9. Deferred capital grants:

Deferred capital grants consist of:

	2012 \$ (000)			2011 \$ (000)		
	Grant	Accumulated Amortization	Net	Grant	Accumulated Amortization	Net
Land improvements	434	364	70	434	351	83
Buildings	181,638	42,213	139,425	174,163	37,803	136,360
Equipment	57,286	51,336	5,950	55,707	48,631	7,076
Construction in progress	110,398	-	110,398	25,884	-	25,884
	<u>349,756</u>	<u>93,913</u>	<u>255,843</u>	<u>256,188</u>	<u>86,785</u>	<u>169,403</u>

The amount of amortization included in the statement of revenue and expense is \$7,128,000 (\$8,681,000 in 2011).

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

	2012 \$ (000)	2011 \$ (000)
Windsor Essex County Cancer Centre Foundation	285	162
Windsor Regional Hospital Foundation	3,465	913
Ministry of Health and Long Term Care - Capital	89,312	7,149
Ministry of Health and Long Term Care – HIRF	100	490
Cancer Care Ontario	-	1,034
Other	406	784
	<u>93,568</u>	<u>10,532</u>

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

10. Cash flow information:

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

	2012 \$ (000)	2011 \$ (000)
Accounts receivable, non capital	(5,144)	(2,912)
Inventories	(235)	1,123
Prepaid and deferred charges	623	(616)
Due from related parties	(275)	223
Accounts payable and accrued liabilities, non capital	3,535	5,857
Accrued sick leave entitlements	88	(211)
Accrued benefit liabilities	1,192	756
	(216)	4,220

Interest paid during the year amounted to \$2,323,000 (\$2,404,000 in 2011).

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 \$11,711,000 (\$11,532,000 in 2011). 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, 2011 indicates that the plan is fully funded (2010 – fully funded).

12. Operating leases:

Under the terms of various non-capital equipment leases expiring through 2017, the Hospital is committed to lease payments aggregating approximately as follows:

▪ 2013	\$2,516,000
▪ 2014	\$2,504,000
▪ 2015	\$1,873,000
▪ 2016	\$1,231,000
▪ 2017	\$1,224,000

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

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.

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

- b) The Hospital is a member of the Healthcare Insurance Reciprocal of Canada (HIROC) which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid after actuarial determination are not sufficient to cover claims, the Hospital will be required to provide additional premium payments on a proportional basis. Similarly, if HIROC has accumulated an unappropriated surplus, which are the total premiums paid by all subscribers plus investment income, less the obligation for claim reserves, expenses and operating expenses, these surpluses may be paid out to the members on a proportional basis. As at March 31, 2012, no assessments or refund of premiums has been made.
- c) The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hotel-Dieu Grace Hospital (HDGH) and Leamington District Memorial Hospital (LDMH) operates a not-for-profit without share capital under the laws of the Province of Ontario a shared service organization called "PROcure" which provides the purchasing and payment responsibilities on behalf of these five hospitals. As part of this start-up, the Hospital has provided a guarantee to PROcure's bank in the amount of \$779,438.
- d) The Hospital with these same hospitals, also operate a not-for-profit without share capital under the laws of the Province of Ontario corporation called Consolidated Health Information Services (CHIS) which provides Information Technology/Information System services to the five hospitals. The Hospital has provided a guarantee to CHIS's bank in the amount of \$250,000.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

14. Related party transactions:

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

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

The Hospital relies heavily on the Foundation to raise funds for its benefit. The Foundation is a registered charity and is classified as a public foundation under Section 149.1 (1)(g) of the Income Tax Act (Canada) and as such, is exempt from tax. At March 31, 2012, net resources of the Foundation amounted to \$11,453,000 (\$12,946,000 in 2011) of which \$6,564,000 (\$7,798,000 in 2011) 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, 2012, the Foundation had excess expenses over revenue of \$1,493,000 (\$1,170,000 excess revenue over expense in 2011).

On July 1, 2011, the Hospital leased its parking facilities to the Foundation. The term of the lease is twenty-one (21) years with lease payments of \$42,750 per month in the first three years of the agreement and an amount to be negotiated thereafter.

In addition, the Hospital entered into a management agreement with the Foundation in connection with the parking facility whereby the Hospital was appointed manager of the facility. Management fees of \$544,000 and rent of \$435,000 related to these two agreements were received by the Hospital in the first year of this agreement for the period July 1, 2011 to March 31, 2012. Net parking revenue of \$129,000 was retained by the Foundation as follows:

Revenue from parking operations	\$1,108,000
Rent paid to the Hospital	(435,000)
Management fees paid to the Hospital	<u>(544,000)</u>
Net parking revenue	\$ <u>129,000</u>

The Patients' Trust is established to administer funds on behalf of patients. At March 31, 2012, total funds held amounted to \$ 3,000 (\$ Nil in 2011).

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

14. Related party transactions: (Cont'd)

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

	2012 \$ (000)	2011 \$ (000)
Windsor Regional Hospital Foundation	635	361
Patients' Trust Account	6	5
	641	366

15. Financial results by business unit:

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

	2012 \$ (000)	2011 \$ (000)
Hospital Operations	1,663	2,204
Long Term Care Program	-	817
Regional Children's Centre	(24)	(200)
	1,639	2,821

16. Tayfour (Western) Campus Redevelopment:

The Hospital has entered into a Project Agreement with the Ministry of Health and Long Term Care and Infrastructure Ontario with respect to the redevelopment of its Western Campus. Related to this, the Hospital has commenced a \$122.1 million capital building project at that campus that is expected to be completed in the summer of 2012. The Ministry's share of this project is \$112.7 million while the Hospital is responsible for the remaining \$9.4 million. The contractor reached substantial completion on March 30, 2012 and a payment of \$88.9 million net of holdback was made on April 16, 2012 using a portion of the \$89.3 capital grant received in the year from the Ministry of Health and Long Term Care.

17. Regional Children's Centre:

On May 13, 2011, the Provincial Government announced that they will contribute \$4.3 million towards an estimated \$5.3 million cost to replace the children's residential building and the recreational facilities. The remaining funds for the project will come from the Hospital's own resources and community fundraising.

WINDSOR REGIONAL HOSPITAL

Notes to Financial Statements

YEAR ENDED MARCH 31, 2012

18. Consolidated Health Information Services:

CHIS provides Information Technology/Information Systems services at rates designed to reflect the costs and expenses incurred by CHIS in the normal course of business. Annual operating expenses are allocated between the five 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 CHIS for those projects identified as being solely for its benefit.

During the year, the Hospital paid \$2,699,000 (2011 - \$3,083,000) to CHIS for Information Technology/Information Systems services. The balance payable to CHIS at March 31, 2012 is \$536,000 (\$1,553,000 in 2011) and has been included in accounts payable.

19. PROcure:

PROcure provides its services at rates designed to reflect the costs and expenses incurred by PROcure in the normal course of business. Annual operating costs are allocated between the five hospitals with the Hospital assuming 25.9% of this cost each and every year.

In June 2011, PROcure assumed the Hospital's purchasing and payment functions and the Hospital paid \$647,000 to PROcure for these services. The Hospital also paid to PROcure \$139,000 toward its share of a loan. As at March 31, 2012, \$5,219,000 was payable to PROcure and this has been included in accounts payable.

20. 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	2012 \$ (000)	2011 \$ (000)
Excess of revenue over expense for the year	1,639	2,821
Add (deduct): net building amortization	2,025	2,026
interest on long term liabilities	1,638	1,665
loss on swap contract marked to market	1,417	45
Year end total margin	6,719	6,557

The Hospital met this performance indicator in 2012 (2011 – indicator met).