



Financial Statements of

**HÔTEL-DIEU GRACE
HEALTHCARE**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hôtel-Dieu Grace Healthcare

We have audited the accompanying financial statements of Hôtel-Dieu Grace Healthcare, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets, cash flows and remeasurement of gains and losses 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 Hôtel-Dieu Grace Healthcare as at March 31, 2016, its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 25, 2016
Windsor, Canada

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Financial Position

As at March 31, 2016, with comparative information for 2015
[in thousands of dollars]


	2016	2015
Assets		
Current assets:		
Cash	\$ 14,426	\$ 20,148
Short-term investments	5,113	5,010
Accounts receivable (note 2)	1,810	6,060
Inventories	288	258
Prepaid expenses and deposits	413	415
	22,050	31,891
Restricted cash and investments (note 3)	22,119	20,322
Capital assets, net (note 4)	242,452	246,092
	\$ 286,621	\$ 298,305


Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5, note 16)	\$ 29,422	\$ 35,754
Current portion of term loan (note 6)	506	535
	29,928	36,289
Long-term liabilities:		
Term loan (note 6)	284	790
Accrued sick leave liability	2,770	2,648
	3,054	3,438
Accrued benefit liability (note 7)	9,773	9,808
Deferred capital contributions (note 8)	198,697	205,031
	241,452	254,566
Net assets:		
Unrestricted	(26,538)	(22,942)
Contributed surplus - Prince Road building (note 17)	6,623	6,623
Invested in capital assets (note 10 (a))	42,965	39,736
Board restricted (note 3)	21,863	19,791
	44,913	43,208
Accumulated remeasurement gains (note 3)	256	531
	45,169	43,739
Commitments and contingencies (note 13, note 15)		
	\$ 286,621	\$ 298,305

See accompanying notes to financial statements.

On behalf of the Corporation


Member of the Corporation


Director of the Corporation

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015
[in thousands of dollars]

	2016	2015
Revenue:		
Ontario Ministry of Health and Long-Term Care	\$ 87,397	\$ 85,483
Ontario Ministry of Children and Youth Services	11,711	10,646
Other patient revenue	2,315	2,638
Other revenues and recoveries	4,808	4,266
Grant amortization	815	764
	<u>107,046</u>	<u>103,797</u>
Expenses:		
Salaries and purchased services	64,734	64,290
Employee benefits	16,396	15,225
Medical staff	2,714	3,554
Medical and surgical supplies	961	927
Drugs and medical gases	980	1,104
Supplies and facilities	20,228	17,832
Amortization of capital assets	1,170	952
	<u>107,183</u>	<u>103,884</u>
Deficiency of revenue over expenses for the year before other items	(137)	(87)
Other items - one-time (note 14)	3,638	530
Excess of revenue over expenses for the year per Ministry of Health and Long-Term Care purposes	3,501	443
Interest, net building and land improvements amortization	(1,796)	(1,866)
Excess (deficiency) of revenue over expenses for the year	\$ 1,705	\$ (1,423)

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

[in thousands of dollars]

2016	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (22,942)	6,623	39,736	19,791	43,208
Excess of revenues over expenses for the year (note 10 (b))	3,800	-	(2,095)	-	1,705
Invested in capital assets (note 10 (b))	(5,324)	-	5,324	-	-
Net transfer to Board restricted from unrestricted	(2,072)	-	-	2,072	-
Balance, end of year	\$ (26,538)	6,623	42,965	21,863	44,913

2015	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (19,409)	6,623	38,082	19,335	44,631
Excess of revenues over expenses for the year (note 10 (b))	548	-	(1,971)	-	(1,423)
Invested in capital assets (note 10 (b))	(3,625)	-	3,625	-	-
Net transfer to Board restricted from unrestricted	(456)	-	-	456	-
Balance, end of year	\$ (22,942)	6,623	39,736	19,791	43,208

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015
[in thousands of dollars]

	2016	2015
Operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ 1,705	\$ (1,423)
Add (deduct) non-cash items:		
Amortization of capital assets	8,709	8,469
Amortization of deferred capital contributions	(6,614)	(6,498)
Loss on disposal of capital assets	428	150
Unrealized gain/(loss) on investments	(275)	464
Change in accrued benefit liability	(35)	(37)
	<u>3,918</u>	<u>1,125</u>
Net change in non-cash working capital balances	<u>(1,990)</u>	<u>12,641</u>
	1,928	13,766
Capital activities:		
Purchase of capital assets	(5,505)	(4,280)
Proceeds on disposal of capital assets	10	5
Deferred capital contributions received	280	1,008
	<u>(5,215)</u>	<u>(3,267)</u>
Financing activities:		
Repayment of long-term loan	(535)	(508)
Investing activities:		
Net increase in restricted cash and investments	(1,797)	(920)
Net increase (decrease) in cash during the year	<u>(5,619)</u>	<u>9,071</u>
Cash and short-term investments, beginning of year	25,158	16,087
Cash and short-term investments, end of year	<u>\$ 19,539</u>	<u>\$ 25,158</u>
Comprised of:		
Cash	\$ 14,426	\$ 20,148
Short-term investments	5,113	5,010
Cash and short-term investments, end of year	<u>\$ 19,539</u>	<u>\$ 25,158</u>

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Statement of Remeasurement Gains and Losses

Year ended March 31, 2016, with comparative information for 2015
[in thousands of dollars]

	2016	2015
Accumulated remeasurement gains, beginning of the year	\$ 531	\$ 67
Unrealized gains/(losses) attributable to:		
Long-term investments	(275)	464
Accumulated remeasurement gains, end of the year	\$ 256	\$ 531

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

Organizational Structure

Hôtel-Dieu Grace Hospital (the "Hospital") was incorporated by an Act of the Legislature of Ontario in 1917 and its principal activity is the operation of health services.

On October 1 2013, the Hospital and Windsor Regional Hospital ("WRH") completed a transfer of programs whereby WRH assumed governance and management of all acute care services and the Hospital assumed governance and management of all non-acute care services.

With this change in services and role, Hôtel-Dieu Grace Hospital changed its name to Hôtel-Dieu Grace Healthcare ("HDGH").

Note 17 provides further details of the transfer agreement.

HDGH is a charitable organization and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. Summarized below are the more significant accounting policies used in the preparation of the HDGH's financial statements.

(a) Basis of funding:

HDGH is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health and Long-Term Care as well as the Ministry of Children and Youth Services. Both are referred to as "the Ministry". Effective April 1, 2012, the basis of funding has changed through the implementation of the Health System Funding Reform (HSFR). Hospital funding is provided primarily through three funding streams; namely Health Based Allocation Model (HBAM), Global Funding and Quality Based Procedures (QBP) funding. Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. Funding received from the Ministry of Children and Youth Services is to be returned if unspent by the end of the fiscal year. Other Vote funding is also to be returned if unspent by the end of the fiscal year. As well, the Ministry's stated policy is that deficits incurred by HDGH will not be funded.

(b) Inventory:

Supplies, stores and linen inventory are valued at the lower of cost and net realizable value, with cost being determined on a moving average basis.

Pharmacy, dietary and miscellaneous inventory are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

1. Significant accounting policies (continued):

(c) Revenue recognition:

HDGH follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Donations and capital grants received for the purpose of funding capital acquisitions are deferred and amortized on the same basis as amortization is calculated for the related asset.

Revenue from the Ministry, preferred accommodations, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset.

The amortization rates are as follows:

Building and building service equipment	20 – 50 years
Land improvements	10 – 25 years
Equipment	5 – 10 years

A full year's amortization is recorded in the year of acquisition.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(f) Vacation pay:

Vacation pay entitlements are charged to income on an accrual basis, with the exception of nonunion staff who are paid as the time is taken.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016

[in thousands of dollars]

1. Significant accounting policies (continued):

(g) Defined benefit multi-employer pension plan:

The employees are members of the Hospital of Ontario Pension Plan, which is a multi-employer defined benefit plan. Defined contribution plan accounting standards are applied to this plan, as HDGH has insufficient information to apply the defined benefit plan accounting standards.

(h) Accrued post employment benefits:

HDGH provides defined retirement and other future benefits for a large portion of retirees and employees. These future benefits include life insurance and health care benefits. The calculation of the accrued benefit liability has been prepared using the projected benefit method pro-rated on service.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 13 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

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

(i) Future accounting changes:

Effective for fiscal periods beginning on or after April 1, 2016, all governments will be required to adopt PSAB section 3450, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3450 provides guidance on how to account for financial instruments including derivatives. Section 2601 provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

HDGH is currently in the process of evaluating the potential impact of adopting these standards.

(j) Contributed services:

Volunteers contribute numerous hours to assist HDGH 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.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016

[in thousands of dollars]

1. Significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs 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 incurred on acquisition and financing costs, which are amortized using the 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 operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization 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 inactive 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 their fair value of the assets and liabilities.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant items subject to such estimates include the allowance for doubtful accounts receivable, the estimated useful lives of capital assets and related deferred capital contributions, the estimated impact of the unsettled labour contracts and pay equity, as well as accrued benefit liabilities and certain other accrued liabilities. Actual results could differ from those estimates.

2. Accounts receivable:

	2016	2015
Ontario Ministry of Health and Long-Term Care – operating and capital grants	\$ 264	\$ 3,649
Ontario Ministry of Children and Youth Services	996	–
WRH	1,256	659
Other	–	1,906
	2,516	6,214
Less allowance for doubtful accounts	706	154
	\$ 1,810	\$ 6,060

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016

[in thousands of dollars]

3. Board restricted net assets:

HDGH maintains restricted cash and investments as approved by the Board of Directors. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

The change in Board restricted net assets for the year is summarized as follows:

	2016	2015
Board restricted net assets, beginning of year	\$ 20,322	\$ 19,402
Add (deduct):		
Interest and realized gains	367	456
Unrealized gain/(loss) on investments	(275)	464
Assets restricted during current year	1,705	-
Board restricted net assets, end of year	\$ 22,119	\$ 20,322

The Board restricted net assets is comprised of:

	2016	2015
Capital grants	\$ 6,324	\$ 6,209
Unspent capital donations	1	1
Restricted cash reserves	15,538	13,581
Unrealized gain on investments	256	531
Board restricted net assets, end of year	\$ 22,119	\$ 20,322

The Board restricted net assets includes the following investments:

	2016	2015
Cash on deposit	\$ 1,719	\$ 30
Provincial and bank bonds and guaranteed investment certificates (yields between 2.0% and 3.45%, maturing between Nov. 2, 2015 to Feb. 17, 2016)	2,713	2,728
Other investments consisting of a professionally managed portfolio of Canadian corporate bonds with varying yields and maturities	17,574	17,442
Accrued interest	113	122
	\$ 22,119	\$ 20,322

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

4. Capital assets:

2016	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,069	\$ 5,682
Buildings and building service equipment	295,615	69,995	225,620
Equipment	6,826	2,868	3,958
Construction-in-progress	7,192	—	7,192
	<u>\$ 316,384</u>	<u>\$ 73,932</u>	<u>\$ 242,452</u>

2015	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,067	\$ 5,684
Buildings and building service equipment	292,568	62,458	230,110
Equipment	4,981	1,809	3,172
Construction-in-progress	7,126	—	7,126
	<u>\$ 311,426</u>	<u>\$ 65,334</u>	<u>\$ 246,092</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$1,868 (2015 - \$1,301), which include amounts for payroll related matters.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

6. Term loan:

In 1998, HDGH entered into a term loan agreement with the Royal Bank to finance the parking garage. As collateral, HDGH has provided the legal assignment of revenue derived from parking operations. On July 31, 2007, the loan was renewed with the Royal Bank bearing interest at 5.18% with monthly payments of \$49. The term of the loan is ten years with an amortization period of ten years. The scheduled repayments on this loan are as follows:

	2016	2015
2016	\$ —	\$ 591
2017	591	591
2018 and thereafter	230	230
	821	1,412
Less: amount representing interest	(31)	(87)
	790	1,325
Less: current portion of term loan	(506)	(535)
	\$ 284	\$ 790

7. Accrued benefit liability:

HDGH provides post employment benefits such as extended health care, dental and life insurance benefits to qualifying employees. A full actuarial valuation was performed at March 31, 2014 and extrapolated at March 31, 2016.

The significant actuarial assumptions adopted in estimating HDGH's accrued benefit obligation are as follows:

	2016	2015
Discount rate	3.8%	3.3%
Dental benefits cost escalation	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .25% per annum to ultimate rate of 5% commencing in 2015)	7.0%	7.0%

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

7. Accrued benefit liability (continued):

At year-end, HDGH's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2016 is \$9,773 (2015 - \$9,808) amount is comprised of:

	2016	2015
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 10,502	\$ 9,903
Actuarial gain during the year	(447)	664
Benefits paid by HDGH during the year	(920)	(834)
Interest	348	394
Current service cost	478	375
Funded balance – deficit, end of year	9,961	10,502
Unamortized actuarial loss	(188)	(694)
Accrued benefit liability, end of year	\$ 9,773	\$ 9,808

HDGH's net benefit expense is as follows:

	2016	2015
Current service cost	\$ 478	\$ 375
Interest	348	394
Amortization of net actuarial losses	59	29
	\$ 885	\$ 798

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

8. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received for the purpose of purchasing capital assets. These contributions are being amortized on the same basis as amortization is calculated on the related capital assets. The change in deferred capital contributions for the year is summarized as follows:

	2016	2015
Deferred capital contributions, beginning of year	\$ 205,031	\$ 210,521
Add:		
MOHLTC capital grants received in the year	(94)	279
Foundation donation	-	220
Deferred general donations	374	509
	205,311	211,529
Less:		
Amortization of capital contributions	(6,614)	(6,498)
	\$ 198,697	\$ 205,031

The balance consists of the following:

	2016	2015
Ministry of Health and Long-Term Care	\$ 186,737	\$ 192,570
Together in Caring Foundation	8,847	9,228
Foundation donations	-	960
Deferred general donations	3,113	2,273
	\$ 198,697	\$ 205,031

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016

[in thousands of dollars]

9. Changing Lives Together Foundation:

The Windsor/Essex Hospitals Foundation ("WEHF") was established on May 1, 2014 upon the amalgamation of the Windsor Regional Hospital Foundation and the Hôtel-Dieu Grace Hospital Foundation ("HDGHF"). The purpose of the WEHF was originally to undertake charitable fundraising activities for the benefit of both WRH and HDGH.

As part of the amalgamation agreement, each of the predecessor foundations was required to transfer to WEHF all of their respective assets, net of their respective liabilities. Under the terms of the amalgamation agreement, segregated funds would be used by the WEHF for the benefit of hospital as outlined within the segregated funds. All other funds would be utilized by WEHF for the benefit of both WRH and HDGH.

On May 4, 2015, WEHF advised HDGH that it would cease to be formally associated with HDGH, divest itself of any appropriate assets belonging to HDGH and become a foundation of the WRH only and would therefore no longer undertake charitable fundraising activities on its behalf. WEHF staff were instructed to work with HDGH staff to determine the appropriate division of net assets between the two organizations. This work remains outstanding.

HDGH established the Changing Lives Together Foundation, (the "Foundation") on December 11, 2015 to conduct charitable fundraising activities on behalf of, and for the benefit of the HDGH. Once determined, legacy funds from WEHF are to be transferred to the Foundation along with any charitable funds raised for programs specific to HDGH.

Financial information for the Foundation is not available for the current fiscal year.

The Foundation is independent from HDGH but HDGH does have an economic interest in the Foundation.

HDGH has authorized a loan up to \$300 as seed funding to the Changing Lives Together Foundation. No funds have been drawn against this loan in 2016.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

10. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 242,452	\$ 246,092
Less amounts financed by:		
Deferred capital contributions	(198,697)	(205,031)
Term loan	(790)	(1,325)
	<u>\$ 42,965</u>	<u>\$ 39,736</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,614	\$ 6,498
Amortization of capital assets	(8,709)	(8,469)
	(2,095)	(1,971)
Invested in capital assets:		
Purchase of capital assets	\$ 5,505	\$ 4,280
Disposal of capital assets	(436)	(156)
Amounts funded by capital grants	94	(279)
Deferred donations (net)	(374)	(509)
Foundation donation	-	(220)
Repayment of term loan	535	509
	<u>5,324</u>	<u>3,625</u>
Net change in investment in capital assets	\$ 3,229	\$ 1,654

11. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$5,122 (2015 - \$4,746). These amounts are included in employee benefits expense in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2014 indicates the plan is fully funded.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

12. Operating leases:

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

2017	\$	575
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13. Capital commitments:

HDGH has committed to capital expenditures of \$1,132 which will be incurred over the next fiscal year. The expenditures will be funded through both operating and capital grants.

14. Other items:

Other items include special charges and provisions and recoveries not ordinarily associated with ongoing operations of HDGH. Included in this recovery (expense) category are the following items:

	2016	2015
One time and deferred revenue from prior years' operations	\$ —	\$ 654
Post-construction operating plan one-time revenue	3,243	—
Ministry of Health and Long-term Care revenue prior years:		
Tayfour Campus	896	—
Ouellette Campus	1,168	—
Termination accruals	(1,669)	(11)
Realignment expenses	—	(113)
	\$ 3,638	\$ 530

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

15. Contingencies:

Due to the nature of its operations, HDGH is periodically subject to lawsuits in which HDGH is named defendant, as well as subject to grievances and claims or potential claims filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations of HDGH.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange the other person's reciprocal contract of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2016.

16. Transform:

HDGH, along with the other four hospitals within the Erie St. Clair LHIN, entered into an agreement in 2013 that resulted in the amalgamation of Consolidated Health Information Services and PROcure into a non-share capital, not for profit corporation named TransForm.

HDGH is responsible for 22.5% of the start up loan relating to this organization, and has provided a guarantee for this amount. HDGH paid to TSSO \$69 (2015 - \$203) toward its share of the loan during the year. The balance of the loan at March 31, 2016 is \$Nil (2015 - \$67) and is included in accounts payable and accrued liabilities.

TransForm is a shared services organization that currently provides Information Technology/Information Systems services and purchasing and payments services at rates designated 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, HDGH contributes towards approved capital improvements and other costs incurred by TransForm for those projects identified as being solely for its benefit.

During the year, HDGH paid \$996 (2015 - \$946) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$443 (2015 - \$472) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2016 is \$53 (2015 - \$39) and has been included in accounts payable and accrued liabilities.

HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2016
[in thousands of dollars]

16. Transform (continued):

During the 2014-2015 fiscal year, TransForm entered into a 3-year loan with CIBC in the amount of \$2,300. This loan is part of a blended financing approaching to financing capital acquisition. HDGH has provided a guarantee on the loan limited to 11.19% of the remaining balance, or \$153, which represents its share of the funding formula. This loan matures December 1 2017. The other part of the blended financing is a lease agreement with Macquarie Equipment Finance Ltd. For \$2,568 and will expire December 2019. HDGH's portion of the guarantee of this lease is 11.19% for a total of \$222. HDGH also provides a guarantee on the line of credit of TSSO for \$291.

During the current fiscal year, HDGH made payments totaling \$74 in connection with the above-noted lease. HDGH also made interest and principal payments totaling \$157 in connection with the above-noted loan.

17. Program re-alignment:

The Ministry of Health and Long Term-Care has approved a capital grant to support the preliminary planning on the program and service scope of a proposed new single site acute care hospital facility to service Windsor Essex. No amounts in relation to this grant was received during the current fiscal year (2015 - \$675. HDGH disburses payments as invoices are authorized by WRH. At March 31, 2016, there were no unspent portions of the grant (2015 - \$562).

With program re-alignment, WRH continues to own the Prince Road Campus and has leased it to HDGH for a 99 year period for nominal consideration. The long-term nature of this lease results in HDGH assuming responsibility for all building/building service equipment costs as the risks and benefits of ownership of these capital assets have been transferred to HDGH. This building net of capital grants has been recorded at a value of \$6,623 in contributed surplus as no cash was exchanged. HDGH continues to own the Ouellette Campus and is leasing it to WRH for 7 years, with option to extend for another 14 years less one day, for nominal consideration. WRH is funding the outstanding term loan in connection with the parking garage (see note 6). All building assets for the Ouellette Campus remain recorded as capital assets of HDGH. An agreement was reached between WRH and HDGH whereby WRH will be solely responsible for all building/building service repairs/replacement for the life of the Ouellette Campus lease.

HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2016
[in thousands of dollars]

	Hospital Operations		Regional Children's Centre		Lead Agency		Other Votes		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue:										
Ontario Ministry of Health and Long-Term Care	\$ 70,850	70,221	-	-	-	-	16,547	15,262	87,397	85,483
Ontario Ministry of Children and Youth Services	-	-	11,471	10,546	239	-	-	-	11,710	10,646
Other patient revenue	2,315	2,638	-	-	-	-	-	-	2,315	2,638
Other revenues and recoveries	4,327	3,860	229	142	-	-	252	264	4,808	4,266
Grant amortization	728	677	87	87	-	-	-	-	815	764
	78,220	77,396	11,787	10,875	239	-	16,799	15,526	107,045	103,797
Expenses:										
Salaries and purchased services	47,128	47,652	7,325	7,387	160	-	10,121	9,251	64,734	64,290
Employee benefits	12,065	11,307	1,866	1,827	38	-	2,423	2,091	16,392	15,225
Medical staff	1,214	1,705	-	-	-	-	1,500	1,849	2,714	3,554
Medical and surgical supplies	949	916	3	2	-	-	9	9	961	927
Drugs and medical gases	980	1,104	-	-	-	-	-	-	980	1,104
Supplies and facilities	14,938	13,834	2,506	1,572	42	-	2,742	2,326	20,228	17,832
Amortization	1,083	865	87	87	-	-	-	-	1,170	952
	78,357	77,483	11,787	10,875	240	-	16,795	15,526	107,179	103,884
Excess of revenue over expenses for the year before other items	(137)	(87)	-	-	-	-	-	-	(137)	(87)
Other items (note 14)	3,638	530	-	-	-	-	-	-	3,638	530
Excess of revenue over expenses for the year per Ministry of Health purposes	3,501	443	-	-	-	-	-	-	3,501	443
Interest, net building and land improvements	(1,796)	(1,866)	-	-	-	-	-	-	(1,796)	(1,866)
Excess of revenue over expenses for the year	\$ 1,705	(1,423)	-	-	-	-	-	-	1,705	(1,423)