Financial Statements of

HÔTEL-DIEU GRACE HEALTHCARE

Year ended March 31, 2015

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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, 2015, 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.

KPMG

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, 2015, 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 27, 2015
Windsor, Canada

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]
As at March 31, 2015, with comparative information for 2014

	2015 $	2014 $
Assets		
Current assets:		
Cash	20,148	16,087
Short-term investments	5,010	-
Accounts receivable (note 4, 11 and 19)	6,060	18,173
Inventories	258	228
Prepaid expenses and deposits	415	318
	31,891	34,806
Restricted cash and investments (note 5)	20,322	19,402
Capital assets, net (note 6, note 19)	246,092	250,436
	298,305	304,644
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7, 18 and 19)	35,754	35,152
Current portion of term loan (note 8)	535	508
	36,289	35,660
Long-term liabilities:		
Term loan (note 8)	790	1,325
Accrued sick leave liability	2,648	2,595
	3,438	3,920
Accrued benefit liability (note 9)	9,808	9,845
Deferred capital contributions (note 10, note 19)	205,031	210,521
Net assets:		
Unrestricted	(22,942)	(19,409)
Contributed Surplus- Prince Road Building (note 19)	6,623	6,623
Invested in capital assets (note 12 (a))	39,736	38,082
Board restricted (note 5)	19,791	19,335
	43,208	44,631
Accumulated remeasurement gains (note 5)	531	67
	43,739	44,698
Commitments and contingencies (notes 14, 15, 17 and 18)		
	298,305	304,644

See accompanying notes to financial statements.

On behalf of the Corporation

Member of the Corporation

Director of the Corporation

STATEMENT OF OPERATIONS

[in thousands of dollars]

Year ended March 31, 2015, with comparative information for 2014

	2015 $	2014 $
Revenue:		
Ontario Ministry of Health and Long-Term Care	85,483	154,389
Ontario Ministry of Children and Youth Services	10,646	5,261
Other Patient Revenues	2,638	4,561
Other Revenues & Recoveries	4,266	7,365
Grant Amortization	764	938
	103,797	172,514
Expenses:		
Salaries and Purchased Services	64,290	87,051
Employee Benefits	15,225	20,737
Medical Staff	3,554	15,660
Medical & Surgical Supplies	927	11,045
Drugs & Medical Gases	1,104	5,039
Supplies & Facilities Expense	17,832	24,111
Amortization	952	3,893
	103,884	167,536
Excess (deficiency) of revenues over expenses for the year before other items	(87)	4,978
Other items (note 16)	530	384
Excess of revenues over expenses for the year per Ministry of Health purposes	443	5,362
Interest, net building and land improvements amortization	(1,866)	(1,665)
Excess (deficiency) of revenues over expenses for the year	(1,423)	3,697

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]
Year ended March 31, 2015, with comparative information for 2014

March 31, 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 12 (b))	548		(1,971)		(1,423)
Invested in capital assets (note 12(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**

March 31, 2014	Unrestricted $	Contributed Surplus	Invested in Capital Assets $	Board Restricted $	Total $
Balance, beginning of year	(28,134)	-	47,095	15,350	34,311
Contributed Surplus- Prince Road building (note 19)	-	6,623	-	-	6,623
Excess of revenues over expenses for the year (note 12 (b))	8,208	-	(4,511)	-	3,697
Invested in capital assets (note 12(b))	4,502	-	(4,502)	-	-
Net transfer to Board restricted from unrestricted	(3,985)	-	-	3,985	-
Balance, end of year	(19,409)	6,623	38,082	19,335	44,631

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

[in thousands of dollars]
Year ended March 31, 2015, with comparative information for 2014

	2015 $	2014 $
OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses for the year	(1,423)	3,697
Add (deduct) non-cash items:		
Amortization of capital assets	8,469	11,063
Amortization of deferred capital contributions	(6,498)	(6,552)
Loss on disposal of capital assets	150	310
Unrealized gain/(loss) on investments	464	(190)
Change in accrued benefit liability	(37)	(5,941)
	1,125	2,387
Net change in non-cash working capital balances	12,641	(767)
	13,766	1,620
CAPITAL ACTIVITIES:		
Purchase of capital assets	(4,280)	(5,715)
Proceeds on disposal of capital assets	5	-
Deferred capital contributions received	1,008	3,283
	(3,267)	(2,432)
FINANCING ACTIVITIES:		
Repayment of long-term loan	(508)	(481)
	(508)	(481)
INVESTING ACTIVITIES:		
Net increase in restricted cash and investments	(920)	(3,795)
Net increase in cash during the year	9,071	(5,088)
Cash and short-term investments, beginning of year	16,087	21,175
Cash and short-term investments, end of year	25,158	16,087

Comprised of:

Cash	20,148	16,087
Short-term investments	5,010	-
Cash and short-term investments, end of year	25,158	16,087

See accompanying notes to financial statements.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

[in thousands of dollars]

Year ended March 31, 2015, with comparative information for 2014

	2015 $	2014 $
Accumulated remeasurement gains, beginning of the year	67	257
	67	257
Unrealized gains/(losses) attributable to:		
Long-term investments	464	(190)
Accumulated remeasurement gains, end of the year	531	67

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

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 19 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

(b) 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.

(c) 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.

(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.

(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) 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

(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.

(k) 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.

(l) 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

2. CHANGE IN ACCOUNTING POLICY

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

3. SHORT-TERM INVESTMENTS

Short term investments are comprised of guaranteed investment certificates issued by major Canadian banks. The certificates have maturity dates ranging from March 7, 2016 to March 9, 2016 and bear interest at rates ranging from 1.2% to 1.45%.

4. ACCOUNTS RECEIVABLE

	2015	2014
Ontario Ministry of Health and Long-Term Care – operating and capital grants	$ 3,649	$ 823
Ontario Ministry of Children and Youth Services	-	5,187
WRH (note 19)	659	10,607
Other	1,906	2,608
	6,214	19,225
Less allowance for doubtful accounts	154	1,052
	$ 6,060	$ 18,173

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

5. 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:

	2015	2014
Board restricted net assets, beginning of year	$ 19,402	$ 15,607
Add (deduct):		
Interest and realized gains	456	288
Transfer to restricted cash	-	3,697
Unrealized gain/(loss) on investments	464	(190)
Board restricted net assets, end of year	$ 20,322	$ 19,402

The Board restricted net assets is comprised of:

	2015	2014
Capital grants	$ 6,209	$ 6,066
Unspent capital donations	1	1
Restricted cash reserves	13,581	13,268
Unrealized gain on investments	531	67
Board restricted net assets, end of year	$ 20,322	$ 19,402

The Board restricted net assets includes the following investments:

	2015	2014
Cash on deposit	$ 30	$ 9,064
Provincial and bank bonds and guaranteed investment certificates (yields between 2.0% and 2.25%, an maturing between Nov. 2, 2015 to Feb. 17, 2016)	2,728	2,551
Other investments consisting of a professionally managed portfolio of canadian corporate bonds with varying yields and maturities	17,442	7,752
Accrued interest	122	35
	$ 20,322	$ 19,402

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

6. CAPITAL ASSETS

March 31, 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
	$ 311,426	$ 65,334	$ 246,092

March 31, 2014	Cost	Accumulated amortization	Net book value
Land and land improvements	$ 6,751	$ 1,065	$ 5,686
Buildings and building service equipment	288,866	54,943	233,923
Equipment	3,870	857	3,013
Construction in progress	7,814	-	7,814
	$ 307,301	$ 56,865	$ 250,436

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities, are government remittances payable of $ 1,301 (2014 - $1,344), which include amounts for payroll related matters.

8. 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:

	2015	2014
2015	$ -	$ 591
2016	591	591
2017	591	591
2018 and thereafter	230	228
	1,412	2,001
Less: Amount representing interest	(87)	(168)
	1,325	1,833
Less: Current portion of term loan	(535)	(508)
	$ 790	$ 1,325

[in thousands of dollars]

9. 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, 2015.

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

	2015	2014
Discount rate	3.3%	4.0%
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%

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, 2015 is $9,808 (March 31, 2014 - $9,845) amount is comprised of:

	2015	2014
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	$ 9,903	$ 14,075
Actuarial loss during the year	664	1,671
Benefits paid by HDGH during the year	(834)	(501)
Interest	394	467
Current service cost	375	505
Plan Curtailment	-	(10,470)
Plan Amendment	-	4,156
Funded balance – deficit, end of year	10,502	9,903
Unamortized actuarial loss	(694)	(58)
Accrued benefit liability, end of year	$ 9,808	$ 9,845

HDGH's net benefit expense is as follows:

	2015	2014
Current service cost	$ 375	$ 505
Interest	394	467
Amortization of net actuarial losses	29	87
	$ 798	$ 1,059

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

10. 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:

	2015	2014
Deferred capital contributions, beginning of year	$ 210,521	$ 67,055
Add:		
MOHLTC capital grants received in the year	279	2,597
Foundation donation	220	10
Grants & donations transferred from WRH	-	148,455
Deferred general donations (net)	509	676
	211,529	218,793
Less:		
Amortization of capital contributions	(6,498)	(6,552)
Transfer of grants and donations to WRH	-	(1,720)
	$ 205,031	$ 210,521

The balance consists of the following:

	2015	2014
Ministry of Health and Long-Term Care	$ 192,570	$ 198,123
Together in Caring Foundation	9,228	9,608
Foundation donations	960	778
Deferred general donations	2,273	2,012
	$ 205,031	$ 210,521

[in thousands of dollars]

11. HÔTEL-DIEU GRACE HOSPITAL FOUNDATION

The Hotel-Dieu Grace Hospital Foundation, (the "Foundation"), was established to receive and maintain funds which benefit HDGH. The Foundation is independent from HDGH.

Effective May 1, 2014, the Foundation has amalgamated with the Windsor Regional Hospital Foundation to become the Windsor/Essex Hospitals Foundation. In the amalgamation agreement, both Foundations shall contribute to the Windsor/Essex Hospitals Foundation (the "WEHF") all of their respective assets subject to their respective liabilities. Funds which have been raised by charitable means shall remain segregated and used by the WEHF for the benefit for which such funds were originally designated.

During 2015, WEHF donated $490 (2014 - $10) to HDGH, of which $220 was for the purposes of purchasing medical equipment and completing renovations, and $270 was for a short-term education fund. At the year end, WEHF owes HDGH $354 (2014 - $414) which is comprised of the following:

	2015	2014
Advances outstanding	$ 414	$ 516
Less: repayment	60	100
	354	416
Services provided during the year	-	226
Less: amounts recovered	-	228
	-	(2)
	$ 354	$ 414

This amount is included in accounts receivable.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

12. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	2015	2014
Capital assets	$ 246,092	$ 250,436
Less amounts financed by:		
Deferred capital contributions	(205,031)	(210,521)
Term loan	(1,325)	(1,833)
	$ 39,736	$ 38,082

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

	2015	2014
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 6,498	$ 6,552
Amortization of capital assets	(8,469)	(11,063)
	$ (1,971)	$ (4,511)
Invested in capital assets:		
Purchase of capital assets	$ 4,280	$ 5,715
Assets transferred to WRH (note 19)	-	(16,393)
Assets transferred from WRH (note 19)	-	156,023
Disposal of capital assets	(156)	(310)
Amounts funded by capital grants	(279)	(2,597)
Deferred donations (net)	(509)	(676)
Foundation donation	(220)	(10)
Repayment of term loan	509	481
Grants and donations transferred from WRH (note 19)	-	(148,455)
Grants and donations transferred to WRH (note 19)	-	1,720
	3,625	(4,502)
Net change in investment in capital assets	$ 1,654	$ (9,013)

13. PENSION PLAN

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to $4,746 (2014 - $6,620). 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, 2013 indicates the plan is fully funded.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

14. 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:

2016	$	575
2017		455

15. CAPITAL COMMITMENTS

HDGH has committed to capital expenditures of $1,682 which will be incurred over the next fiscal year. The expenditures will be funded through both operating and capital grants.

16. 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:

		2015		2014
One time and deferred revenue from prior years' operations	$	654	$	-
Termination accruals		(11)		(469)
Realignment expenses		(113)		(1,261)
Pre-Realignment Closing of Accrued Benefit Liability (note 9)		-		10,470
Funding of Net Post Employment Increase due to September 30 Transfer to WRH		-		(4,200)
Transfer of Accrued Benefit Liability from WRH Following Realignment (note 9)		-		(4,156)
	$	530	$	384

17. 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, 2015.

18. 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 PROcure $203 (2014 - $208) toward its share of the loan during the year. The balance of the loan at March 31, 2015 is $67 (2014 - $269) 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 $937 (2014 - $1,423) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, $670 (2014 - $737) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2015 is $39 (2014 - $1,396) and has been included in accounts payable and accrued liabilities.

During the year, TransForm entered into a 3-year loan with CIBC in the amount of $2,300. This loan is to cover a lease agreement with Macquarie Equipment Finance Ltd. HDGH has provided a guarantee on the loan limited to 11.19%, which represents its share of the funding formula.

19. 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. $675 (2014 - $2,500) in relation to this grant was received during the year. HDGH disburses payments as invoices are authorized by WRH. At March 31, 2015, there remains a balance of $562 (2014 - $2,083). The payments of $2,196 ($417) have been disclosed as cash outflows against Stage 1A and B Grants.

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 8). 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.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2015

The program re-alignment resulted in significant transfers of human resources and assets between organizations. Approximately 1,000 employees were transferred to HDGH from WRH and 1,800 employees transferred from HDGH to WRH. Approximately $7,083 in net assets were also transferred from HDGH to WRH as of September 30, 2013 and was owing from WRH as accounts receivable at March 31, 2014. As of March 31, 2014, HDGH recorded a receivable from WRH of $10,607 and payable to WRH of $8,398 in relation to all re-alignment transactions including the September 30, 2013 balance sheet transfer.

Summary of Balance Sheet Transactions in Which Cash Settlement Occurred
(IN THOUSANDS OF DOLLARS)
As of September 30, 2013

	WRH Transfer to HDGH	HDGH Transfer to WRH
Cash	$ 7	$ 20
Prepaids	165	1,481
Inventory	139	758
Equipment	3,530	16,393
Total Assets to Transfer	3,841	18,652
Trade Liabilities	$ 164	$ 303
Accrued Vacation and Benefits	3,604	7,385
Accrued Overtime and Holiday	-	388
Deferred Grants	2,585	1,721
Net Post Employment Benefits	-	4,200
Sick Leave	2,374	2,458
Total Liabilities	8,727	16,455
Net Cash to pay to HDGH (Receivable) from WRH	$ 4,886	$ 2,197
Total Owing to HDGH		$ 7,083

SUPPLEMENTAL SCHEDULE OF OPERATIONS (UNAUDITED)

[in thousands of dollars]
Year ended March 31, 2015

	Hospital Operations	Regional Children's Centre	Other Votes	Total 2015
	April 1- March 31	April 1- March 31	April 1-March 31	$
Revenue:				
Ontario Ministry of Health and Long-Term Care	70,221	-	15,262	**85,483**
Ontario Ministry of Children and Youth Services	-	10,646	-	**10,646**
Other Patient Revenues	2,638	-	-	**2,638**
Other Revenues & Recoveries	3,860	142	264	**4,266**
Grant Amortization	677	87	-	**764**
	77,396	**10,875**	**15,526**	**103,797**
Expenses:				
Salaries and Purchased Services	47,652	7,387	9,251	**64,290**
Employee Benefits	11,307	1,827	2,091	**15,225**
Medical Staff	1,705	-	1,849	**3,554**
Medical & Surgical Supplies	916	2	9	**927**
Drugs & Medical Gases	1,104	-	-	**1,104**
Supplies & Facilities Expense	13,934	1,572	2,326	**17,832**
Amortization	865	87		**952**
	77,483	**10,875**	**15,526**	**103,884**
Excess of revenues over expenses for the year before other items	**(87)**	-	-	**(87)**
Other items (note 16)	530	-	-	**530**
Excess of revenues over expenses for the year per Ministry of Health purposes	**443**	-	-	**443**
Interest, net building and land improvements amortization	(1,866)	-	-	**(1,866)**
Excess of revenues over expenses for the year	**(1,423)**	-	-	**(1,423)**