

Financial Statements of

**HÔTEL-DIEU GRACE  
HEALTHCARE**

Year ended March 31, 2018



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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, 2018, the statements of operations, changes in net assets, cash flows and remeasurement of gains 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, 2018, 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

Windsor, Canada

May 23, 2018

# HÔTEL-DIEU GRACE HEALTHCARE

## Statement of Financial Position

As at March 31, 2018, with comparative information for 2017

(in thousands of dollars)

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 12,416	\$ 16,651
Short-term investments	5,271	5,196
Short-term investments - restricted (note 3)	3,512	-
Accounts receivable (note 2)	2,785	2,824
Inventories	269	284
Prepaid expenses and deposits	617	643
	<u>24,870</u>	<u>25,598</u>
Restricted cash and investments (note 3)	22,246	22,976
Capital assets, net (note 4)	229,578	236,253
	<u>\$ 276,694</u>	<u>\$ 284,827</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 26,248	\$ 31,378
Current portion of term loan	-	227
	<u>26,248</u>	<u>31,605</u>
Long-term liabilities:		
Accrued sick leave liability	2,462	2,587
Accrued benefit liability (note 6)	9,815	9,793
Deferred capital contributions (note 7)	190,174	195,228
	<u>228,699</u>	<u>239,213</u>
Net assets:		
Unrestricted	(23,790)	(24,783)
Contributed surplus - Prince Road building (note 16)	6,623	6,623
Invested in capital assets (note 9 (a))	39,404	40,798
Board restricted	25,121	22,502
	<u>47,358</u>	<u>45,140</u>
Accumulated remeasurement gains	637	474
	<u>47,995</u>	<u>45,614</u>
Commitments and contingencies (notes 12, 14 and 15)		
	<u>\$ 276,694</u>	<u>\$ 284,827</u>

See accompanying notes to financial statements.

On behalf of the Corporation



Member of the Corporation

Mike Horrobin, Chair of the Board; Director of the Corporation

# HÔTEL-DIEU GRACE HEALTHCARE

## Statement of Operations

Year ended March 31, 2018, with comparative information for 2017  
(in thousands of dollars)

	2018	2017
Revenue:		
Ontario Ministry of Health and Long-Term Care	\$ 90,189	\$ 88,148
Ontario Ministry of Children and Youth Services	11,033	11,649
Other patient revenue	2,294	2,130
Other revenue and recoveries	4,344	4,825
Grant amortization	302	640
	108,162	107,392
Expenses:		
Salaries and purchased services	64,559	64,602
Employee benefits	15,861	16,181
Medical staff	2,627	2,648
Medical and surgical supplies	730	817
Drugs and medical gases	933	857
Supplies and facilities	18,918	19,158
Amortization of capital assets	821	1,205
	104,449	105,468
Excess of revenue over expenses for the year before other items	3,713	1,924
Other items - one-time (note 13)	357	81
Excess of revenue over expenses for the year per Ministry of Health and Long-Term Care purposes	4,070	2,005
Interest, net building and land improvements amortization	(1,852)	(1,778)
Excess of revenue over expenses for the year	\$ 2,218	\$ 227

See accompanying notes to financial statements.

# HÔTEL-DIEU GRACE HEALTHCARE

## Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017  
(in thousands of dollars)

2018	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (24,783)	6,623	40,798	22,502	45,140
Excess (deficiency) of revenue over expenses for the year (note 9 (b))	4,501	-	(2,283)	-	2,218
Invested in capital assets (note 9 (b))	(889)	-	889	-	-
Net transfer to Board restricted from unrestricted	(2,619)	-	-	2,619	-
<b>Balance, end of year</b>	<b>\$ (23,790)</b>	<b>6,623</b>	<b>39,404</b>	<b>25,121</b>	<b>47,358</b>

  

2017	Unrestricted	Contributed Surplus	Invested in Capital Assets	Board Restricted	Total
Balance, beginning of year	\$ (26,538)	6,623	42,965	21,863	44,913
Excess (deficiency) of revenue over expenses for the year (note 9 (b))	2,543	-	(2,316)	-	227
Invested in capital assets (note 9 (b))	(149)	-	149	-	-
Net transfer to Board restricted from unrestricted	(639)	-	-	639	-
<b>Balance, end of year</b>	<b>\$ (24,783)</b>	<b>6,623</b>	<b>40,798</b>	<b>22,502</b>	<b>45,140</b>

See accompanying notes to financial statements.

# HÔTEL-DIEU GRACE HEALTHCARE

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017  
(in thousands of dollars)

	2018	2017
Operating activities:		
Excess of revenue over expenses for the year	\$ 2,218	\$ 227
Add (deduct) non-cash items:		
Amortization of capital assets	8,481	8,837
Amortization of deferred capital contributions	(6,198)	(6,521)
Gain (loss) on disposal of capital assets	208	(33)
Unrealized gain on investments	163	218
Change in accrued benefit liability	22	20
	4,894	2,748
Net change in non-cash working capital balances	(5,175)	533
	(281)	3,281
Capital activities:		
Purchase of capital assets	(2,014)	(2,727)
Proceeds on disposal of capital assets	-	122
Deferred capital contributions received	1,144	3,052
	(870)	447
Financing activities:		
Repayment of long-term loan	(227)	(563)
Investing activities:		
Net increase in restricted cash and investments	(2,782)	(857)
Net increase (decrease) in cash during the year	(4,160)	2,308
Cash and short-term investments, beginning of year	21,847	19,539
Cash and short-term investments, end of year	\$ 17,687	\$ 21,847
Comprised of:		
Cash	\$ 12,416	\$ 16,651
Short-term investments unrestricted	5,271	5,196
Cash and short-term investments, end of year	\$ 17,687	\$ 21,847

See accompanying notes to financial statements.

# HÔTEL-DIEU GRACE HEALTHCARE

## Statement of Remeasurement Gains

Year ended March 31, 2018, with comparative information for 2017  
(in thousands of dollars)

	2018	2017
Accumulated remeasurement gains, beginning of year	\$ 474	\$ 256
Unrealized gains attributable to:		
Long-term investments	163	218
Accumulated remeasurement gains, end of year	\$ 637	\$ 474

See accompanying notes to financial statements.



# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

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## 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").

Notes 16 and 17 provide further details of the transfer agreement and associated funding implications.

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, 2018  
(in thousands of dollars)

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## 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:

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

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A full year's amortization is recorded in the year of acquisition. In the event that equipment is acquired via gift in kind, the offset will be to deferred capital contribution.

### (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, 2018  
(in thousands of dollars)

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## 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, 2018  
(in thousands of dollars)

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## 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, 2018  
(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:

	2018	2017
Ontario Ministry of Health and Long-Term Care – operating and capital grants	\$ 1,487	\$ 1,756
Ontario Ministry of Children and Youth Services	–	5
WRH	–	291
Other	1,603	1,136
	3,090	3,188
Less allowance for doubtful accounts	(305)	(364)
	\$ 2,785	\$ 2,824

# HÔTEL-DIEU GRACE HEALTHCARE

## Notes to Financial Statements

Year ended March 31, 2018  
(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:

	2018	2017
Board restricted net assets, beginning of year	\$ 22,976	\$ 22,119
Add (deduct):		
Interest and realized gains	401	639
Unrealized gain on investments	163	218
Assets restricted during current year	2,218	–
Board restricted net assets, end of year	\$ 25,758	\$ 22,976

The Board restricted net assets is comprised of:

	2018	2017
Capital grants	\$ 6,641	\$ 6,524
Unspent capital donations	1	1
Restricted cash reserves	18,479	15,977
Unrealized gain on investments	637	474
Board restricted net assets, end of year	\$ 25,758	\$ 22,976

The Board restricted net assets includes the following investments:

	2018	2017
Cash on deposit	\$ 3,512	\$ 1,033
Provincial, corporate, Government of Canada bonds (yields between 2.0% and 6.5%, maturing between June 1, 2018 to Dec. 2, 2048)	10,777	10,951
Other investments consisting of a professionally managed portfolio of equities	11,376	10,892
Accrued interest	93	100
	\$ 25,758	\$ 22,976

# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

## 4. Capital assets:

2018	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,072	\$ 5,679
Buildings and building service equipment	298,100	85,283	212,817
Equipment	8,599	4,815	3,784
Construction-in-progress	7,298	–	7,298
	<u>\$ 320,748</u>	<u>\$ 91,170</u>	<u>\$ 229,578</u>

2017	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 6,751	\$ 1,070	\$ 5,681
Buildings and building service equipment	296,919	77,624	219,295
Equipment	7,559	3,995	3,564
Construction-in-progress	7,713	–	7,713
	<u>\$ 318,942</u>	<u>\$ 82,689</u>	<u>\$ 236,253</u>

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$2,157 (2017 - \$2,178), which include amounts for payroll related matters.

# HÔTEL-DIEU GRACE HEALTHCARE

## Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

### 6. 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, 2017 and extrapolated at March 31, 2018.

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

	2018	2017
Discount rate	3.4%	3.6%
Dental benefits cost escalation	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .15% per annum to ultimate rate of 4% commencing in 2017)	6.9%	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, 2018 is \$9,815 (2017 - \$9,793) amount is comprised of:

	2018	2017
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	\$ 8,146	\$ 9,961
Actuarial losses (gains) during the year	182	(2,647)
Plan amendment in year	7	838
Benefits paid by HDGH during the year	(555)	(849)
Interest	294	376
Current service cost	382	467
Funded balance – deficit, end of year	8,456	8,146
Unamortized actuarial losses	1,359	1,647
Accrued benefit liability, end of year	\$ 9,815	\$ 9,793



# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

## 6. Accrued benefit liability (continued):

HDGH's net benefit expense is as follows:

	2018	2017
Current service cost	\$ 382	\$ 467
Interest	294	376
Amortization of net actuarial gains	(106)	(813)
Plan Amendment in Year	7	838
	\$ 577	\$ 868

## 7. 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:

	2018	2017
Deferred capital contributions, beginning of year	\$ 195,228	\$ 198,697
Add:		
MOHLTC capital grants received in the year	767	2,255
Changing Lives Together Foundation donation	277	797
Deferred general donations	100	–
	196,372	201,749
Less:		
Amortization of capital contributions	(6,198)	(6,521)
Deferred capital contributions, end of year	\$ 190,174	\$ 195,228

The balance consists of the following:

	2018	2017
Ministry of Health and Long-Term Care	\$ 178,663	\$ 183,254
Together in Caring Foundation	8,087	8,467
Changing Lives Together Foundation donations	836	606
Deferred general donations	2,588	2,901
	\$ 190,174	\$ 195,228

# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

## 8. Changing Lives Together Foundation:

HDGH established the Changing Lives Together Foundation, (the "Foundation") on December 11, 2015 whose object is primarily to conduct charitable fundraising activities on behalf of, and for the benefit of HDGH. The Foundation is independent from HDGH but HDGH does have an economic interest in the Foundation.

In the current year, donations of \$190 were transferred to the Foundation. Donations of \$467 were transferred from the Foundation to HDGH, of which \$284 was a gift in kind. As of year-end, HDGH receivable from the Foundation is \$149.

## 9. Net assets invested in capital assets:

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

	2018	2017
Capital assets	\$ 229,578	\$ 236,253
Less amounts financed by:		
Deferred capital contributions	(190,174)	(195,228)
Term loan	–	(227)
	\$ 39,404	\$ 40,798

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

	2018	2017
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,198	\$ 6,521
Amortization of capital assets	(8,481)	(8,837)
	(2,283)	(2,316)
Invested in capital assets:		
Purchase of capital assets	2,014	2,727
Disposal of capital assets	(208)	(89)
Amounts funded by capital grants	(767)	(2,255)
Deferred donations (net)	(100)	–
Changing Lives Together Foundation donation	(277)	(797)
Repayment of term loan	227	563
	889	149
Net change in investment in capital assets	\$ (1,394)	\$ (2,167)

# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

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## 10. Pension plan:

Employer contributions made to the Hospital of Ontario Pension Plan during the year by HDGH amounted to \$5,198 (2017 - \$5,141). 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, 2017 indicates the plan is fully funded.

## 11. Operating leases:

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

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2019	\$	601
2020		533
2021		500
2022		479
2023		479

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## 12. Capital commitments:

HDGH has committed to capital expenditures of \$798 which will be incurred over the next fiscal year. The expenditures will be funded through both operating and capital grants.

## 13. 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:

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	2018	2017
Other one-time revenues	\$ 597	\$ 859
Ministry of Health and Long-term Care revenue prior years:		
Tayfour Campus	–	667
Ouellette Campus	27	572
Termination accruals	(267)	(1,908)
One-time expenses RPN scope	–	(109)
	\$ 357	\$ 81

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# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

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## 14. 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, 2018.

## 15. 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.

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 \$883 (2017 - \$937) to TransForm for Information Technology/Information Systems services, excluding maintenance contracts and capital reimbursements. In addition, \$306 (2017 - \$304) was paid for purchasing and payments of services. The balance payable to TransForm at March 31, 2018 is \$180 (2017 - \$33) and has been included in accounts payable and accrued liabilities.

The other part of the blended financing is a lease agreement with Macquarie Equipment Finance Ltd. that Transform entered into in 2015-2016. This agreement will expire December 2019. HDGH's portion of the guarantee for this lease is 11.19% for a total of \$106. An additional lease agreement with Macquarie Equipment Finance LTD was entered into during fiscal 2016-2017 of which HDGH's portion of the guarantee is 11.56% for a total of \$24. This Lease agreement has various end dates, the latest of which is in 2022. An additional lease agreement with Macquarie Equipment Finance LTD was entered into during fiscal 2017-2018 of which HDGH's portion of the guarantee is 11.03% for a total of \$22. This Lease agreement has various end dates, the latest of which is in 2023.

HDGH also provides a guarantee on the line of credit (held with CIBC) of TSSO for \$291.

During the current fiscal year, HDGH made payments totaling \$200 in connection with the above-noted lease.

# HÔTEL-DIEU GRACE HEALTHCARE

Notes to Financial Statements

Year ended March 31, 2018  
(in thousands of dollars)

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## **16. Program re-alignment:**

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. 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.

## **17. Third Party Review:**

In Q4 of 2017, HDGH began participating in a third party review project led by the Ministry of Health and Long Term Care and facilitated by Deloitte. The purpose was to complete an independent third-party review of WRH and HDGH's financial and statistical data and associated impacts in relation to the 2013-14 program transfer and service realignment.

The project had three primary objectives: a) finalize an inter-hospital, budget-neutral allocation (limited to the 2016-17 HBAM reset of \$6.3M) that fairly represents the intent of the 2013-14 program transfer; b) establish funding stability at WRH and HDGH within the 2016-17 funding envelope; and c) understand implications, if any, on percent base-funded expense calculations within WRH and HDGH's 2016/17 fiscal envelope.

This final review was complete in 2017-18 and it resulted in no change in funding for HDGH.

This constituted the final reconciliation of funding between WRH and HDGH.

# HÔTEL-DIEU GRACE HEALTHCARE

Supplemental Schedule of Operations (Unaudited)

Year ended March 31, 2018, with comparative information for 2017  
(in thousands of dollars)

	Hospital Operations	Regional Children's Centre	Lead Agency	Other Votes	Total 2018	Total 2017
<b>Revenue:</b>						
Ontario Ministry of Health and Long-Term Care	\$ 72,450	129	-	17,610	90,189	88,148
Ontario Ministry of Children and Youth Services	-	10,672	361	-	11,033	11,649
Other patient revenue	2,294	-	-	-	2,294	2,130
Other revenues and recoveries	4,200	94	-	50	4,344	4,825
Grant amortization	220	77	-	5	302	640
	79,164	10,972	361	17,665	108,162	107,392
<b>Expenses:</b>						
Salaries and purchased services	46,354	7,078	289	10,838	64,559	64,602
Employee benefits	11,571	1,801	45	2,444	15,861	16,181
Medical staff	878	-	-	1,749	2,627	2,648
Medical and surgical supplies	720	-	-	10	730	817
Drugs and medical gases	933	-	-	-	933	857
Supplies and facilities	14,227	2,040	27	2,624	18,918	19,158
Amortization of capital assets	768	53	-	-	821	1,205
	75,451	10,972	361	17,665	104,449	105,468
<b>Excess of revenue over expenses for the year</b>						
before other items	3,713	-	-	-	3,713	1,924
Other items (note 13)	357	-	-	-	357	81
<b>Excess of revenue over expenses for the year</b>						
per Ministry of Health purposes	4,070	-	-	-	4,070	2,005
Interest, net building and land improvements	(1,852)	-	-	-	(1,852)	(1,778)
<b>Excess of revenue over expenses for the year</b>	<b>\$ 2,218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,218</b>	<b>227</b>