Financial Statements of

HÔTEL-DIEU GRACE HOSPITAL

Year ended March 31, 2012

KPMG LLP
Chartered Accountants
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8

Telephone (519) 251-3500
Fax (519) 251-3530
(519) 251-3540
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

TO THE SUPERVISOR OF HÔTEL-DIEU GRACE HOSPITAL

We have audited the accompanying financial statements of Hôtel-Dieu Grace Hospital which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 Hospital as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 8, 2012
Windsor, Canada

HÔTEL-DIEU GRACE HOSPITAL

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]
As at March 31

	2012 $	2011 $
Assets		
Current		
Cash	16,070	12,595
Short-term investments	119	118
Accounts receivable (note 2 and 8)	7,490	9,380
Inventories	892	789
Prepaid expenses and deposits	1,458	1,511
Total current assets	26,029	24,393
Restricted cash and investments (note 3)	12,815	12,248
Capital assets, net (note 4)	116,922	116,994
	155,766	153,635
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	39,072	35,692
Current portion of term loan (note 5)	458	435
Current portion of accrued benefit liability (note 6)	700	700
Total current liabilities	40,230	36,827
Term loan (note 5)	2,314	2,772
Accrued benefit liability (note 6)	7,859	6,629
Accrued sick leave liability	2,666	2,868
Deferred capital contributions (note 7)	64,768	65,730
Total liabilities	117,837	114,826
Net assets		
Unrestricted	(24,268)	(21,496)
Invested in capital assets (note 9 (a))	49,382	48,057
Board restricted (note 3)	12,815	12,248
Total net assets	37,929	38,809
Commitments and contingencies (notes 11, 12, 14 and 15)		
	155,766	153,635

See accompanying notes to financial statements.

On behalf of the Corporation

_________________________ Supervisor

HÔTEL-DIEU GRACE HOSPITAL

STATEMENT OF OPERATIONS

[in thousands of dollars]
Year ended March 31

	2012 $	2011 $
Revenue		
Ontario Ministry of Health and Long-Term Care	**212,807**	**200,943**
Other Patient Revenues	**5,512**	**6,797**
Other Revenues & Recoveries	**7,889**	**8,252**
Grant Amortization	**1,055**	**963**
	227,263	**216,955**
Expense		
Salaries and Purchased Services	**107,124**	**103,043**
Employee Benefits	**25,586**	**24,521**
Medical Staff	**27,697**	**25,894**
Medical & Surgical Supplies	**20,525**	**19,368**
Drugs & Medical Gases	**8,912**	**9,311**
Supplies & Facilities Expense	**29,843**	**27,272**
Amortization	**7,244**	**6,522**
	226,931	**215,931**
Excess of revenue over expense for the year before other items	**332**	**1,024**
Other items (note 13)	**(120)**	**(969)**
Excess of revenue over expense for the year per Ministry of Health purposes	**212**	**55**
Interest, net building and land improvements amortization	**(1,311)**	**(1,366)**
Deficiency of revenue over expense for the year	**(1,099)**	**(1,311)**

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]
Year ended March 31

	Unrestricted	Invested in Capital Assets	Board Restricted	2012 Total	2011 Total
	$	$	$	$	$
Net assets (liabilities), beginning of year	**(21,496)**	**48,057**	**12,248**	**38,809**	39,974
Excess (deficiency) of revenue over expenses for the year (note 9 (b))	6,244	(7,343)	-	(1,099)	(1,311)
Invested in capital assets (note 9(b))	(8,668)	8,668	-	-	-
Net transfer from Board restricted to unrestricted	(348)	-	348	-	-
Unrealized gain on investments	-	-	219	219	146
Net assets (liabilities), end of year	**(24,268)**	**49,382**	**12,815**	**37,929**	**38,809**

See accompanying notes to financial statements.

HÔTEL-DIEU GRACE HOSPITAL

STATEMENT OF CASH FLOWS

[in thousands of dollars]
Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Deficiency of revenue over expense for the year	(1,099)	(1,311)
Add (deduct) non-cash items:		
Amortization of capital assets	10,282	9,566
Amortization of deferred capital contributions	(2,939)	(2,820)
Gain on disposal of capital assets	(38)	(65)
Unrealized gain on investments	219	146
	6,425	5,516
Net change in non-cash working capital balances	6,247	(1,916)
Cash provided by operating activities	12,672	3,600
INVESTING ACTIVITIES		
Purchase of capital assets	(10,211)	(8,317)
Proceeds on disposal of capital assets	39	97
Net decrease (increase) in restricted cash and investments	(567)	2,448
Cash used in investing activities	(10,739)	(5,772)
FINANCING ACTIVITIES		
Deferred capital contributions received/receivable	1,997	1,193
Deferred donation transfer to Hôtel-Dieu Grace Hospital Foundation	(20)	(146)
Repayment of capital lease obligations	-	(26)
Repayment of long term loan	(435)	(413)
Cash provided by financing activities	1,542	608
Net increase (decrease) in cash during the year	3,475	(1,564)
Cash, beginning of year	12,595	14,159
Cash, end of year	16,070	12,595
Supplemental cash flow information:		
Interest paid during the year	156	179
Interest received during the year	425	270

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

ORGANIZATIONAL STRUCTURE

The Religious Hospitallers of Hotel Dieu of St. Joseph of the Diocese of London (the "Hospital") was incorporated by an Act of the Legislature of Ontario and its principal activity is the operation of health services. The Hospital is operated by The Religious Hospitallers of Hotel Dieu of St. Joseph of the Diocese of London pursuant to the terms of an Alliance Agreement made effective April 1, 1994, and amended on November 27, 2007, with The Governing Council of The Salvation Army in Canada.

The Hospital operates under the canonical sponsorship of Catholic Health International. These financial statements present the financial position and results of operations of the Hospital.

Capital assets disclosed in the statement of financial position include land, buildings and building service equipment, some of which were contributed by the Religious Hospitallers of St. Joseph.

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

In January 2011, a Supervisor was appointed to the Hospital pursuant to subsection 9(5) of the Public Hospitals Act. The Supervisor will exercise all the powers of the Hospital, its officers and its members in governing the Hospital in accordance with the Public Hospitals Act, its regulations and all other applicable legislation and in exercising those powers report to and carry out the directions issued by the Minister within the jurisdiction of the Supervisor. Pursuant to subsection 9(4) of the Public Hospitals Act, the Hospital Supervisor’s appointment will be valid until terminated by order of the Lieutenant Governor in Council.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Summarized below are the more significant accounting policies used in the preparation of the Hospital's financial statements.

(a) Basis of funding

The Hospital is funded primarily by the Province of Ontario, in accordance with funding guidelines established with the Ontario Ministry of Health and Long-Term Care (the “Ministry”). The funding is provided to the Hospital on a global basis as well as a cost reimbursement basis for specific programs. Except for certain programs, a surplus of revenue over expenses incurred during a fiscal year is not required to be returned to the Ministry. As well, the Ministry’s stated policy is that deficits incurred by the Hospital will not be funded.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

(b) Revenue recognition

The Hospital 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.

(g) Defined benefit multi-employer pension plan

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

(h) Accrued post employment benefits

The Hospital accrues its obligations under employee benefit plans and related costs. The Hospital has adopted the following policies:

- The cost of post employment benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.
- The transitional obligation is amortized over the average remaining service period of the active employees.
- The excess of actuarial gains or losses over 10% of the accrued benefit obligation is amortized over the average remaining service period of the employees, which is 14 years commencing in the year following the actuarial valuation giving rise to the actuarial gain or loss.
- Differences arising from plan amendments, if any, are amortized on a straight-line basis over the average remaining service period of the employees at the time of the amendment.

(i) Financial instruments

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

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

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

(i) Financial instruments (continued)

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

- Cash is designated as held-for-trading, being measured at fair value
- Short-term and certain of the restricted investments are classified as available-for-sale financial assets with changes in fair value recognized in the statement of changes in net assets. Restricted bonds and guaranteed investment certificates are classified as held to maturity investments and measured at amortized cost
- Accounts receivable are classified as loans and receivables, which are measured at amortized cost
- Accounts payable and accrued liabilities, term loan and accrued benefit liability are classified as other financial liabilities, which are measured at amortized cost

The Hospital also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

(j) Contributed services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

(k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 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 policy

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

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

2. ACCOUNTS RECEIVABLE

		2012		2011
Ontario Ministry of Health and Long-Term Care – operating and capital grants	$	757	$	3,304
Other		6,733		6,076
	$	7,490	$	9,380

3. BOARD RESTRICTED NET ASSETS

The Hospital 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:

		2012		2011
Board restricted net assets, beginning of year	$	12,248	$	14,696
Add (deduct):				
Interest and gains earned		348		220
Capital grants and donations received		20		35
Transfer to unrestricted cash		-		(2,703)
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation		(20)		(146)
Unrealized gain on investments		219		146
Board restricted net assets, end of year	$	12,815	$	12,248

The Board restricted net assets is comprised of:

		2012		2011
Capital grants	$	5,836	$	5,675
Unspent capital donations		1		1
Restricted cash reserves		6,763		6,576
Unrealized gain/(loss) on investments		215		(4)
Board restricted net assets, end of year	$	12,815	$	12,248

The Board restricted net assets include the following investments:

		2012		2011
Cash on deposit	$	1,039	$	2,728
Provincial and bank bonds and guaranteed investment certificates (yields between 2.40% and 4.65%, maturities between July 3, 2012 and June 21, 2014)		4,096		4,825
Other investments		7,513		4,569
Accrued interest		167		126
	$	12,815	$	12,248

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

4. CAPITAL ASSETS

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land and land improvements	$ 6,732	$ 1,011	$ 5,721	$ 5,757
Buildings and building service equipment	132,013	44,650	87,363	90,001
Equipment	124,344	106,055	18,289	16,553
Construction in progress	5,549	-	5,549	4,683
	$ 268,638	$ 151,716	$ 116,922	$ 116,994

5. TERM LOAN

In 1998, the Hospital entered into a term loan agreement with the Royal Bank to finance the parking garage. As collateral, the Hospital 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:

	2012	2011
2012	$ –	$ 591
2013	591	591
2014	591	591
2015	591	591
2016	591	591
2017	591	591
2018 and thereafter	228	229
	3,183	3,775
Less: Amount representing interest	411	568
	2,772	3,207
Less: Current portion of term loan	(458)	(435)
	$ 2,314	$ 2,772

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

6. ACCRUED BENEFIT LIABILITY

The Hospital provides post employment benefits such as extended health care, dental and life insurance benefits to qualifying employees.

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

	2012	2011
Discount rate	4.0%	5.0%
Dental benefits cost escalation	4.0%	4.0%
Medical benefits cost escalation – extended health care (decreasing by .5% per annum to ultimate rate of 5% in 2017)	7.5%	8.0%

At year-end, the Hospital's accrued benefit liability relating to its post-employment benefit plan based on the latest actuarial report as of March 31, 2012 is $8,559 ($7,329 in 2011). This amount is comprised of:

	2012	2011
Accrued benefit obligation:		
Funded balance – deficit, beginning of year	$ 13,292	$ 12,475
Actuarial loss during the year	1,757	616
Benefits paid by the Hospital during the year	(1,013)	(899)
Interest	795	684
Current service cost	620	416
Remeasurement adjustment	713	-
ONA/OPSEU award at April 1, 2011	1,780	-
Funded balance – deficit, end of year	17,944	13,292
Less: Unamortized transitional obligation	(368)	(737)
Less: Unamortized past service costs	(1,632)	-
Less: Unamortized net actuarial losses	(7,385)	(5,226)
Accrued benefit liability at end of year	8,559	7,329
Less: Current portion of benefit liability	(700)	(700)
	$ 7,859	$ 6,629

The Hospital's net benefit expense is as follows:

	2012	2011
Current service cost	$ 620	$ 416
Interest	795	684
Amortization of transitional obligation	368	368
Amortization of past service costs	148	-
Amortization of net actuarial losses	312	259
	$ 2,243	$ 1,727

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

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:

	2012	2011
Deferred capital contributions, beginning of year	$ 65,730	$ 67,503
Add:		
MOHLTC capital grants received in the year	1,052	873
Hôtel-Dieu Grace Hospital Foundation donation	575	278
Deferred general donations (net)	20	42
Deferred general donations (net)	350	-
	67,727	68,696
Less:		
Amortization of capital contributions	(2,939)	(2,820)
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	(20)	(146)
	$ 64,768	$ 65,730

The balance consists of the following:

	2012	2011
Ministry of Health and Long-Term Care	$ 51,939	$ 52,737
Windsor-Essex County Hospitals Foundation	10,368	10,749
Hôtel-Dieu Grace Hospital Foundation donations	1,885	2,005
Deferred general donations	576	239
	$ 64,768	$ 65,730

8. HÔTEL-DIEU GRACE HOSPITAL FOUNDATION

The Hôtel-Dieu Grace Hospital Foundation (the “Foundation”) was established to receive and maintain funds which benefit Hôtel-Dieu Grace Hospital. The Foundation is independent from the Hospital.

During 2012, the Hospital transferred $20 ($146 in 2011) of deferred donations to the Foundation. Also during 2012, the Foundation donated $575 ($278 in 2011) to the Hospital for the purposes of purchasing medical equipment and renovations. At the year end, the Foundation owes the Hospital $519 ($582 in 2011) for funds advanced for fundraising and operating activities. This amount is included in accounts receivable.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

9. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	2012	2011
Capital assets	$ 116,922	$ 116,994
Less amounts financed by:		
Deferred capital contributions	(64,768)	(65,730)
Term loan	(2,772)	(3,207)
	$ 49,382	$ 48,057

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

	2012	2011
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 2,939	$ 2,820
Amortization of capital assets	(10,282)	(9,566)
	$ (7,343)	$ (6,746)
Invested in capital assets:		
Purchase of capital assets	$ 10,211	$ 8,317
Disposal of capital assets	(1)	(32)
Amounts funded by capital grants	(1,402)	(873)
Deferred donations (net)	(20)	(42)
Hôtel-Dieu Grace Hospital Foundation donation	(575)	(278)
Repayment of term loan	435	413
Repayment of obligation under capital lease	-	26
Transfer of deferred donations to Hôtel-Dieu Grace Hospital Foundation	20	146
	8,668	7,677
Net change in investment in capital assets	$ 1,325	$ 931

10. PENSION PLAN

Employer contributions made to the Hospitals of Ontario Pension Plan during the year by the Hospital amounted to $8,250 ($8,056 in 2011). 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, 2011 indicates the plan is fully funded.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

11. OPERATING LEASES

Under the terms of the various non-capital equipment leases expiring through 2016, the Hospital is committed to lease payments aggregating approximately as follows:

2013	$	491
2014		395
2015		391
2016		261

12. CAPITAL COMMITMENTS

The Hospital has committed to capital expenditures of $1,681 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 the Hospital. Included in this recovery (expense) category are the following items:

		2012		2011
One time and deferred revenue from prior years' operations	$	1,582	$	773
Termination accruals		(1,167)		(1,732)
Supervisor expenses		(535)		(10)
	$	(120)	$	(969)

14. CONTINGENCIES

Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital 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 the Hospital.

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 persons 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 May 31, 2012.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]
Year ended March 31, 2012

15. RELATED PARTIES

i) PROcure

The Hospital along with the other four hospitals within the Erie St. Clair LHIN entered into an agreement in 2009 that resulted in the creation of a non-share capital, not for profit Corporation know as PROcure, to provide supply chain services to the member hospitals.

In April 2011, PROcure assumed the Hospital's purchasing and payment functions. PROcure provides its services at rates designed to reflect costs and expenses incurred in the normal course of business. Annual operating costs are allocated between the five participating hospitals, with the Hospital assuming 22.0% of these costs. The Hospital paid PROcure $550 for these services during the year.

The Hospital is also responsible for 22.5% of the start up loan relating to this organization, and has provided a guarantee for this amount. The Hospital paid to PROcure $139 toward its share of the loan during the year.

At the year end, $738 was payable to PROcure in relation to operations. This amount has been included in accounts payable and accrued liabilities and represents the Hospital's share of the loan, start up costs, and operational deficits for PROcure. Also, $3,443 is included in accounts payable and accrued liabilities and represents accounts payable amounts administered by the organization on behalf of the Hospital.

ii) CHIS

Effective June 17, 2010, the Hospital became a founding member of Consolidated Health Information Services (CHIS), a not-for-profit corporation that was incorporated without share capital in 2005. CHIS provides Information Technology/Information Systems services to the group of five member Hospitals within the Erie St. Clair LHIN. Annual operating expenses of CHIS are allocated among all the members based on the provincial government funding provided to each Hospital as of the most recent fiscal year end. Any surplus of revenue over expenses is to be retained by CHIS for provision of future services. Any deficiency of revenue over expenses is recoverable from the individual members in accordance with the allocation formula previously described.

During the year, the Hospital paid approximately $3,044 (2011 - $1,300) to CHIS for Information Technology/Information Systems services including maintenance contracts. At the year end, no amount was payable or receivable with CHIS. Maintenance contracts relating to future periods that have been paid to CHIS of $435 have been included in prepaid expenses and deposits.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.