Financial Statements of

GRAND RIVER HOSPITAL CORPORATION

Year ended March 31, 2012
(Expressed in Thousands of Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Grand River Hospital Corporation

We have audited the accompanying financial statements of Grand River Hospital Corporation, 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 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 Grand River Hospital Corporation as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 29, 2012
Waterloo, Canada

GRAND RIVER HOSPITAL CORPORATION

Statement of Financial Position
(Expressed in Thousands of Dollars)

March 31, 2012, with comparative figures for 2011

		2012		2011
Assets				
Current assets:				
Cash and short-term investments (note 3)	$	49,500	$	27,714
Accounts receivable (note 4)		16,014		22,554
Inventories		2,800		2,636
Prepaid expenses		2,194		2,033
		70,508		54,937
Capital assets (note 5)		183,127		185,599
Accrued pension benefit (note 6)		29,945		27,511
	$	283,580	$	268,047
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	61,884	$	39,303
Deferred contributions (note 7)		11,925		12,072
Current portion of capital lease obligation (note 8(a))		-		164
		73,809		51,539
Other long-term liabilities (note 8(b))		-		3,590
Accrued other benefits obligation (note 6)		7,575		5,900
Deferred capital contributions (note 9)		160,588		166,658
Net assets:				
Internally restricted - capital assets (note 10)		16,292		12,869
Internally restricted - education and corporate development		1,200		1,200
Unrestricted		24,116		26,291
		41,608		40,360
Commitments and contingencies (note 11)				
	$	283,580	$	268,047

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

GRAND RIVER HOSPITAL CORPORATION

Statement of Operations
(Expressed in Thousands of Dollars)

Year ended March 31, 2012, with comparative figures for 2011

		2012		2011
Revenue:				
Ontario Ministry of Health and Long-Term Care	$	272,718	$	261,840
Billable patient services		23,746		22,558
Recoveries from external sources		20,629		21,542
Other		5,056		3,288
Amortization of deferred capital contributions related to equipment (note 9)		3,599		3,377
		325,748		312,605
Expenses:				
Salaries, wages, benefits and purchased services		204,136		187,117
Medical staff remuneration		24,581		22,234
Non-salary		86,444		88,546
Amortization of equipment		7,175		6,919
		322,336		304,816
Excess revenue over expenses for Ontario Ministry of Health and Long-Term Care purposes		3,412		7,789
Amortization of buildings and building improvements		(10,499)		(9,314)
Amortization of deferred capital contributions related to buildings and building improvements (note 9)		8,335		7,069
Excess revenue over expenses	$	1,248	$	5,544

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL CORPORATION

Statement of Changes in Net Assets
(Expressed in Thousands of Dollars)

Year ended March 31, 2012, with comparative figures for 2011

	Internally restricted - capital assets	Internally restricted - education and corporate development	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	$ 12,869	$ 1,200	$ 26,291	$ 40,360	$ 34,816
Excess revenue over expenses	3,423	-	(2,175)	1,248	5,544
Balance, end of year	$ 16,292	$ 1,200	$ 24,116	$ 41,608	$ 40,360

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL CORPORATION

Statement of Cash Flows
(Expressed in Thousands of Dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (applied to):		
Operations:		
Excess revenue over expenses	$ 1,248	$ 5,544
Employer cash contributions to the KWH pension plan	(7,736)	(8,649)
Employer cash contributions to other defined benefit plan	(258)	(167)
Items not involving cash:		
Amortization of equipment	7,175	6,919
Amortization of buildings	10,499	9,314
Amortization of deferred contributions related to equipment	(3,599)	(3,377)
Amortization of deferred contributions related to buildings	(8,335)	(7,069)
Defined benefit expense	7,235	4,775
Change in non-cash operating working capital (note 12)	19,269	2,524
	25,498	9,814
Investing activities:		
Purchase and construction of capital assets, net of disposals	(11,273)	(24,860)
Financing activities:		
Contributions received for capital purposes	11,315	16,033
Increase (decrease) in long-term liabilities	(3,754)	846
	7,561	16,879
Increase in cash	21,786	1,833
Cash and short-term investments, beginning of year	27,714	25,881
Cash and short-term investments, end of year	$ 49,500	$ 27,714

See accompanying notes to financial statements.

The Grand River Hospital Corporation (the "Hospital") is a regional provider of community hospital services. The Hospital provides its services primarily through the Kitchener-Waterloo site and the Freeport site. The Hospital is assigned to the Waterloo Wellington Local Health Integration Network. The Hospital is incorporated under the Corporations Act (Ontario) without share capital and is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements present only the accounts of the Hospital as a separately managed entity. They do not include the accounts of the following related, but separate entities:

Grand River Hospital Volunteer Association

Grand River Hospital Foundation

The financial information of these entities is reported separately from the Hospital.

(b) Basis of funding:

The Hospital is funded primarily by the Province of Ontario, in accordance with budget arrangements 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 expense 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.

(c) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health and Long-Term Care. 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.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

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

(d) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of accrued pension benefit, capital assets, accounts payable and accrued liabilities, accrued other benefit obligation, and valuation allowances for receivables. Actual results could differ from those estimates.

(e) Inventories:

Inventories are valued at lower of cost and net realizable value.

Provision has been made for any obsolete or unusable inventory on hand.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The Hospital records amortization of its capital assets on a straight-line basis over the estimated useful life of the asset at the following annual rates:

Buildings and building improvements	2% to 20%
Furniture and equipment	5% to 20%
Equipment under capital lease	20%

1. Significant accounting policies (continued):

(g) Employee benefits plans:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and post-retirement benefits. The Hospital has the following accounting policies:

(i) Defined benefit plans:

The Hospital has defined benefit pension plans covering substantially all employees and a supplemental pension plan for a specific group of employees. The benefits are based on years of service and the employee's final average earnings. The cost of this program is being funded currently.

The Hospital provides a defined benefit plan covering health and dental care benefits upon early retirement. Early retirees, who are in receipt of pension benefits, may also elect to receive health and dental benefits under the plan until the age of 65. The cost of health and dental benefits related to employees' current service is charged to income annually.

The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, expected health and dental costs and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value which represent a market-related value. The market-related value of assets has been used for determining the expected return on assets component of the annual expense and for determining the amount of experience gains (losses) to be amortized. The market values at the measurement date are developed from the market values at each of the four preceding fiscal year-ends plus the current fiscal year by accumulating these amounts with contributions, benefit payments, expenses and assumed investment return for the period up to the measurement date. Assumed investment return is calculated assuming that each year assets earned interest at the expected rate of return on assets during the applicable period.

Past service costs from plan amendments or plan initiations are amortized on a straight-line basis over the average remaining service period up to the full eligibility date of each of employees active at the date of amendment or plan initiation.

Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation.

1. Significant accounting policies (continued):

(g) Employee benefits plans (continued):

(i) Defined benefit plans (continued):

The transitional asset (obligation) is being amortized at $3,423 per year.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 12 years.

When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(ii) Multi-employer plan:

Defined contribution plan accounting (where contributions are expensed as incurred) is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan ("HOOPP") for which the Hospital does not have the necessary information to apply defined benefit plan accounting.

(h) 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 is not reflected in these financial statements.

(i) Financial instruments:

The Hospital has classified cash and short-term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.

Accounts and notes receivable are classified as loans and receivables, which are measured at amortized cost.

Accounts payable, accrued liabilities and other long-term liabilities are classified as other financial liabilities, which are measured at amortized cost.

2. Future accounting pronouncement:

The Public Sector Accounting Board ("PSAB") approved the inclusion of the 4400 series of standards from the CICA Handbook – Accounting into the PSA Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards will be renumbered Sections PS 4200 to PS 4270.

PSAB also approved changes to the Introduction to Public Sector Accounting Standards giving these organizations a choice to apply either:

(a) the PS Series of standards plus the PSA Handbook; or
(b) the PSA Handbook without the PS 4200 series of standards

The basis of accounting chosen would have to be applied in its entirety, disclosed and consistently applied. The Hospital will be required to adopt the standards for the fiscal period beginning April 1, 2012 and will be adopting the PS Series of standards plus the PSA Handbook.

The Hospital has completed its preliminary assessment of the impact that the adoption will have on its financial position, financial statement disclosure requirements, and accounting processes. The assessment has identified that the most significant adjustment to the financial statements will be in respect to the Pension Plan for Employees of the Kitchener-Waterloo Hospital ("KWH pension plan"). There will be a first-time election related to recognizing all accumulated actuarial gains and losses, past service costs and the transitional asset in opening net assets at the date of transition in accordance with PSAB 1501, an election that is mandated for all hospitals by the Ontario Ministry of Health and Long-Term Care.

The impact of this adjustment will reduce the accrued pension benefit, including the unfunded supplemental pension plan and the other defined benefit plan, by approximately $2,736 with a corresponding reduction to unrestricted net assets at the transition date of April 1, 2011.

3. Cash and short-term investments:

Cash of approximately $18,000 will be needed to fund future capital and operating projects under agreements with the Ministry of Health, Waterloo Wellington Local Health Integration Network and Cancer Care Ontario. The Hospital's investment policy restricts short-term investments to highly liquid, high grade Canadian federal and provincial government bonds, commercial paper of Canadian corporations, and bankers acceptances. At year end, $nil (2011 - $nil) is held in short-term investment instruments bearing interest with the cash balance in a current account bearing interest at a rate of prime minus 1.75%. At year end, the prime rate was 3% (2011 - 3%).

(Expressed in Thousands of Dollars)

4. Accounts receivable:

		2012		2011
Ontario Ministry of Health and Long-Term Care	$	939	$	7,240
Cancer Care Ontario:				
Operating		2,253		3,227
Capital		50		-
Grand River Hospital Foundation		2,688		2,498
Patient		6,538		4,470
Other		3,546		5,119
	$	16,014	$	22,554

5. Capital assets:

						2012		2011
		Cost		Accumulated amortization		Net book value		Net book value
Land	$	809	$	-	$	809	$	809
Buildings and related service equipment and improvements		262,773		118,968		143,805		152,259
Furniture and equipment		94,583		73,474		21,109		23,205
Construction in progress		17,404		-		17,404		9,326
	$	375,569	$	192,442	$	183,127	$	185,599

Certain land and buildings designated for Hospital purposes are leased to the Hospital, at a nominal charge, by The Corporation of The City of Kitchener and The Corporation of The City of Waterloo.

6. Pension and other defined benefit plans:

Substantially all of the employees of the Kitchener-Waterloo site are members of the KWH pension plan, a defined benefit registered pension plan, and several individuals also participate in an unfunded supplemental pension plan, both of which are final average earnings programs. The Hospital measures its accrued benefit obligations for accounting purposes based on the most recent actuarial valuation as at April 1, 2011, together with a projection of these results to March 31, 2012. The next required valuation will be no later than April 1, 2014.

(Expressed in Thousands of Dollars)

6. Pension and other defined benefit plans (continued):

Substantially all of the employees of the Freeport site are eligible to be members of HOOPP, which is a multi-employer, defined benefit, final pay, contributory plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan at December 31, 2011 indicated that the plan is fully funded on a solvency basis.

The expense for the Hospital's benefit plans are included in the statement of operations and are as follows:

(a) Multi-employer defined benefit plan:

	2012	2011
Cash paid for contributions to HOOPP	$ 4,712	$ 4,489

(b) The information, relating to the Hospital's defined benefit plans:

	2012 Pension plan	2011 Pension plan	2012 Other benefit plan	2011 Other benefit plan
Current service costs, net of employees' contributions	$ 9,229	$ 8,885	$ 576	$ 390
Expected non-investment expense	750	500	-	-
Interest cost	18,956	19,053	446	323
Less - expected return on plan assets	(21,461)	(22,352)	-	-
Amortization of transitional obligation	(3,423)	(3,423)	271	271
Amortization of past service costs	681	681	640	447
Amortization of net actuarial loss	570	-	-	-
Benefit plan expense	5,302	3,344	1,933	1,431
Cash paid for employer contributions	(7,736)	(8,649)	(258)	(167)
	$ (2,434)	$ (5,305)	$ 1,675	$ 1,264

(Expressed in Thousands of Dollars)

6. Pension and other defined benefit plans (continued):

(b) The information, relating to the Hospital's defined benefit plans (continued):

	2012 Pension plan	2011 Pension plan	2012 Other benefit plan	2011 Other benefit plan
Accrued benefit obligation:				
Balance, beginning of year	$ (363,286)	$ (331,664)	$ (6,440)	$ (5,955)
Current service costs, inclusive of employee contributions	(15,227)	(15,754)	(576)	(390)
Interest cost	(18,956)	(19,053)	(446)	(323)
Less - benefits paid	13,313	11,216	258	167
Actuarial gain (loss)	(59,634)	(8,031)	238	61
Plan amendment – past service cost	-	-	(1,896)	-
Balance, end of year	$ (443,790)	$ (363,286)	$ (8,862)	$ (6,440)
Plan assets:				
Fair value, beginning of year	$ 334,630	$ 301,914	$ -	$ -
Actual return on plan assets	4,779	29,023	-	-
Employer contributions (included in salaries, wages and benefits)	7,736	8,649	258	167
Employees' contributions	5,998	6,869	187	168
Less benefits paid	(13,313)	(11,216)	(445)	(335)
Actual plan expenses	(922)	(609)	-	-
Fair value, end of year	$ 338,908	$ 334,630	$ -	$ -
Funded status-plan deficit	$ (104,882)	$ (28,656)	$ (8,862)	$ (6,440)
Unamortized net actuarial loss (gain)	136,278	60,360	(2,907)	(2,831)
Unamortized transitional asset (obligation)	(3,419)	(6,842)	543	814
Unamortized past service costs	1,968	2,649	3,651	2,557
Accrued defined benefit plan assets (obligation)	$ 29,945	$ 27,511	$ (7,575)	$ (5,900)

(Expressed in Thousands of Dollars)

6. Pension and other defined benefit plans (continued):

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation and benefit costs, are as follows:

	2012	2011
Accrued benefit obligation at end of year:		
Rate of compensation increase	3.25%	3.50%
Discount rate (pension benefits)	4.20%	5.35%
Discount rate (other benefits)	4.00%	5.10%
Benefit costs for fiscal year:		
Expected long-term rate of return on plan assets	6.25%	6.25%
Discount rate (pension benefits)	5.35%	5.70%
Discount rate (other benefits)	5.10%	5.20%
Healthcare costs (other benefits) 10.00% in 2009, reducing to 5.00% in 2019 by 0.50% per annum	8.50%	9.00%
Dental costs (other benefits)	4.50%	4.50%
Rate of compensation increase	3.25%	3.50%

The KWH pension plan consists of the following assets as at December 31:

	2012	2011
Pooled bonds	41.8%	38.6%
Pooled equities	58.2%	61.4%
	100.0%	100.0%

7. Deferred contributions:

Deferred contributions represent unspent restricted grants for education and research of $2,546 (2011 - $2,467), and deferred funding from Ministry of Health and Long-Term Care of $1,203 (2011 - $3,177) and for the Grand River Regional Cancer Centre in the amount of $8,176 (2011 - $6,428). The changes in the deferred contributions balance are as follows:

		2012		2011
Balance, beginning of year	$	12,072	$	15,676
Contributions received during the year		3,256		1,486
Less amounts recognized as revenue during the year		(3,003)		(5,090)
Transfers to deferred capital		(400)		-
Balance, end of year	$	11,925	$	12,072

(Expressed in Thousands of Dollars)

8. Other long-term liabilities:

(a) Capital lease obligation:

		2012		2011
Year ending March 31:				
2012	$	-	$	170
2013		-		-
Total minimum lease payments		-		170
Less amount representing interest at 4.94%		-		6
Present value of net minimum capital lease payments		-		164
Current portion of capital lease obligation		-		164
	$	-	$	-

(b) Other long-term liabilities consist of:

		2012		2011
Capital lease	$	-	$	-
Construction holdback		-		3,590
	$	-	$	3,590

(Expressed in Thousands of Dollars)

9. Deferred capital contributions:

The changes in deferred capital contributions are as follows:

		2012		2011
Balance, beginning of year	$	166,658	$	155,603
Contributions from:				
Grand River Hospital Foundation (note 14)		3,387		4,107
Ontario Ministry of Health and Long-Term Care		2,332		17,118
Cancer Care Ontario		19		-
Other capital contributions		126		276
		172,522		177,104
Less:				
Amortization of deferred capital contributions related to equipment		(3,599)		(3,377)
Amortization of deferred capital contributions related to buildings and building improvements		(8,335)		(7,069)
Balance, end of year	$	160,588	$	166,658

10. Internally restricted - capital assets:

Net assets invested in capital assets is calculated as follows:

		2012		2011
Capital assets	$	183,127	$	185,599
Amounts financed by:				
Deferred capital contributions		(160,588)		(166,658)
Accounts payable and accrued liabilities		(6,247)		(2,318)
Current portion of capital lease obligation		-		(164)
Long-term liabilities		-		(3,590)
	$	16,292	$	12,869

The Board of Directors has internally restricted $16,292 of net assets to fund capital assets (2011 - $12,869).

(Expressed in Thousands of Dollars)

11. Commitments and contingencies:

(a) Service commitments:

Specific medical equipment and other support services are outsourced under agreements that expire in future years. An outsourcing agreement is in place for ongoing supply chain services covering contract management, and procurement of medical, surgical and other supplies. The payments that cover the operating components under the terms of these agreements are as follows:

2013	$	5,078
2014		1,712
2015		1,250
2016		210
2017		-
Thereafter		-

(b) Capital commitments:

The Hospital has entered into several contracts relating to major capital projects.

The commitments are as follows as at March 31, 2012:

Major capital projects:		
Patient care development	$	3,453

These projects are being funded by the Ontario Ministry of Health and Long-Term Care, the Regional Municipality of Waterloo and the Grand River Hospital Foundation.

(c) Operating lease commitments:

The Hospital is committed to payments under various operating leases for office equipment. The annual payments are as follows:

2013	$	238
2014		122
2015		49

(Expressed in Thousands of Dollars)

11. Commitments and contingencies (continued):

(d) Contingencies:

The nature of the Hospital's activities is such that there may be litigation pending or in the prospect at any time. With respect to claims at March 31, 2012, management believes that the Hospital has valid defences and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

On July 1, 1987, a group of health care organizations ("subscribers"), which the Hospital was party of, formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts 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 assessments have been made to March 31, 2012.

12. Net change in non-cash operating working capital balances:

		2012		2011
Accounts receivable not applicable to capital assets	$	1,089	$	226
Inventories		(164)		(303)
Prepaid expenses		(161)		301
Accounts payable and accrued liabilities not applicable to capital assets		18,652		5,904
Deferred contributions not applicable to capital assets		(147)		(3,604)
Net change in non-cash operating working capital balances	$	19,269	$	2,524

13. Net asset management:

The main objective of the Hospital when managing its net assets is to safeguard its ability to continue as a going concern, so that it can continue to provide full hospital services to the community.

The Hospital sets the sufficiency of net assets to maintain the service needs of the community. It makes adjustments to its net assets, through adjustments to its operating budget, to respond to potential changes in economic or operating conditions.

In order to maintain a sufficient net asset structure, management looks forward to future needs and will make the necessary adjustments to its working capital to meet these needs.

14. Related party transactions:

(a) Grand River Hospital Foundation:

The Grand River Hospital Foundation (the "Foundation") is an independent organization which raises funds to finance the purchase of capital assets, as directed by the Foundation's donors, for the Hospital. Although the Foundation is a separate entity and disburses funds at the discretion of its own Board of Governors, some of the Foundation Board members are also members of the Hospital. The accounts of the Foundation are not included in these financial statements.

During the year, the Foundation donated $3,387 (2011 - $4,107) to the Hospital to fund capital projects. At March 31, 2012, there is $2,688 (2011 - $2,498) due from the Foundation to the Hospital. At December 31, 2011, the Foundation had net assets of $27,546 (2011 - $26,221).

(b) Volunteer Association:

The Grand River Hospital Volunteer Association (the "Volunteer Association") is an independent organization, which raises funds and contributes these funds to the Foundation, which in turn contributes the funds to the Hospital for the purpose mentioned above. The accounts of the Volunteer Association are not included in these financial statements.

(c) Grand River Regional Cancer Centre:

Effective January 1, 2006, the former joint venture agreement with Cancer Care Ontario (CCO) ended and the Hospital entered into an integration cancer program agreement ("ICP") with CCO. Certain assets are to be transferred in the future from CCO to the Hospital, for $nil consideration, pending Ministry approval. The net book value and related unamortized portion of capital grants of the assets yet to be transferred is $52 (2011 - $77). Under the ICP, equipment with a unit value greater than $250 will remain the property of CCO and is not reflected in these financial statements.

Also under the ICP, CCO as paymaster for the Ministry, provides operating funding, restricted for cancer services, to the Hospital for ambulatory, hotel and corporate costs of $27,319 for the year ending March 31, 2012 (2011 - $23,402). Ministry funding for inpatient oncology services remains as part of the Hospital's global funding.

15. Supplemental cash flow information:

		2012		2011
Cash received for interest	$	349	$	155

16. Financial instruments:

(a) Fair value:

For certain of the Hospital's financial instruments, cash, accounts receivable, bank indebtedness and accounts payables and accrued liabilities, the carrying amounts approximate fair value due to the short-term maturity.

(b) Associated risks:

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Hospital's cash flows, financial position and income.

(ii) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted. The Hospital is exposed to credit risk through its collection of patient receivables. The Hospital is not exposed to a concentration of credit risk from its accounts receivable due to the number and diversity of patient accounts.