

Financial Statements of

**GRAND RIVER HOSPITAL  
CORPORATION**

Year ended March 31, 2014  
(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, 2014 and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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*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, 2014 and its results of operations and its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

May 27, 2014  
Waterloo, Canada

# GRAND RIVER HOSPITAL CORPORATION

Statement of Financial Position  
(Expressed in Thousands of Dollars)

March 31, 2014, with comparative information for 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 36,334	\$ 40,471
Accounts receivable (note 3)	24,620	26,273
Inventories	2,734	2,910
Prepaid expenses	2,670	1,681
	<u>66,358</u>	<u>71,335</u>
Capital assets (note 4)	180,635	182,240
Accrued pension benefit asset (note 5)	29,054	28,073
	<u>\$ 276,047</u>	<u>\$ 281,648</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,135	\$ 60,031
Deferred contributions (note 6)	7,101	7,334
	<u>57,236</u>	<u>67,365</u>
Accrued other benefits obligation (note 5)	8,195	7,284
Deferred capital contributions (note 7)	155,722	159,112
Net assets:		
Internally restricted - capital assets (note 8)	23,731	17,156
Internally restricted - education and corporate development	1,200	1,200
Unrestricted	29,963	29,531
	<u>54,894</u>	<u>47,887</u>
Commitments and contingencies (note 9)		
	<u>\$ 276,047</u>	<u>\$ 281,648</u>

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, 2014, with comparative information for 2013

	2014	2013
<b>Revenue:</b>		
Ontario Ministry of Health and Long-Term Care ("MOHLTC") Operating	\$ 290,005	\$ 285,085
Billable patient services	23,646	22,474
Recoveries from external sources	22,928	19,760
Other	4,525	4,253
Amortization of deferred capital contributions related to equipment (note 7)	4,474	3,852
	<u>345,578</u>	<u>335,424</u>
<b>Expenses:</b>		
Salaries, wages, benefits and purchased services	228,514	220,000
Medical staff remuneration	24,769	25,037
Non-salary	91,833	83,819
Amortization of equipment	6,922	7,170
	<u>352,038</u>	<u>336,026</u>
Deficiency of revenue over expenses before the undernoted	(6,460)	(602)
MOHLTC PCOP reconciliation adjustment (note 10)	15,351	11,510
Excess of revenue over expenses for MOHLTC purposes	<u>8,891</u>	<u>10,908</u>
Amortization of buildings and building improvements	(10,700)	(10,138)
Amortization of deferred capital contributions related to buildings and building improvements (note 7)	8,816	8,300
Excess of revenue over expenses	<u>\$ 7,007</u>	<u>\$ 9,070</u>

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, 2014, with comparative information for 2013

	Internally restricted - capital assets	Internally restricted - education and corporate development	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	\$ 17,156	\$ 1,200	\$ 29,531	\$ 47,887	\$ 38,817
Excess of revenue over expenses	6,575	-	432	7,007	9,070
Balance, end of year	\$ 23,731	\$ 1,200	\$ 29,963	\$ 54,894	\$ 47,887

See accompanying notes to financial statements.

# GRAND RIVER HOSPITAL CORPORATION

Statement of Cash Flows  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	\$ 7,007	\$ 9,070
Employer cash contributions to the KWH pension plan	(9,101)	(10,011)
Employer cash contributions to other defined benefit plans	(300)	(291)
Items not involving cash:		
Amortization of equipment	6,922	7,170
Amortization of buildings and building improvements	10,700	10,138
Amortization of deferred contributions related to equipment	(4,474)	(3,852)
Amortization of deferred contributions related to buildings and building improvements	(8,816)	(8,300)
Defined benefit expense	9,331	9,092
Change in non-cash operating working capital (note 11)	(7,320)	(9,884)
	<u>3,949</u>	<u>3,132</u>
Investing activities:		
Purchase and construction of capital assets, net of disposals	(20,807)	(16,696)
Financing activities:		
Contributions received for capital purposes	12,721	4,535
Decrease in cash	(4,137)	(9,029)
Cash, beginning of year	40,471	49,500
Cash, end of year	<u>\$ 36,334</u>	<u>\$ 40,471</u>

See accompanying notes to financial statements.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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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:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2014 and 2013. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

### (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 "MOHLTC"). The funding is provided to the Hospital on a global basis as well as a cost reimbursement basis for specific programs and for specific volumes. 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 MOHLTC'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 MOHLTC. 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.



# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 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 MOHLTC, 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 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:

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

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# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 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.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from 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 (losses) are 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 (2013 - 12 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 12.6 years (2013 - 12.6 years).

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

#### (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.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (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:

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 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 the fair value of the assets and liabilities.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

## 2. Cash:

Cash of approximately \$7,111 (2013 - \$10,500) will be needed to fund future capital and operating projects under agreements with the MOHLTC, Waterloo Wellington Local Health Integration Network and Cancer Care Ontario.

## 3. Accounts receivable:

	Operating	Capital	2014	2013
MOHLTC	\$ 1,744	\$ 3,496	\$ 5,240	\$ 4,588
Cancer Care Ontario	5,578	513	6,091	4,849
Grand River Hospital Foundation	181	1,775	1,956	1,049
Patient	7,070	-	7,070	7,596
Other	5,319	200	5,519	9,658
	19,892	5,984	25,876	27,740
Less allowance for doubtful accounts	1,256	-	1,256	1,467
	\$ 18,636	\$ 5,984	\$ 24,620	\$ 26,273

## 4. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 809	\$ -	\$ 809	\$ 809
Buildings and related service equipment and improvements	287,980	139,805	148,175	136,664
Furniture and equipment	106,427	81,842	24,585	20,955
Construction in progress	7,066	-	7,066	23,812
	\$ 402,282	\$ 221,647	\$ 180,635	\$ 182,240

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.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

## 5. 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, 2014. The next required valuation will be no later than April 1, 2014 (for fiscal 2015).

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, 2013 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:

	2014	2013
Cash paid for contributions to HOOPP	\$ 5,922	\$ 5,450

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

	2014	2013	2014	2013
	Pension plan	Pension plan	Other benefit plan	Other benefit plan
Current service costs, net of employees' contributions	\$ 7,998	\$ 7,826	\$ 757	\$ 657
Interest cost	21,501	20,115	364	356
Less - expected return on plan assets	(22,456)	(20,896)	-	-
Amortization of net actuarial loss	1,077	968	90	66
Benefit plan expense	8,120	8,013	1,211	1,079
Cash paid for employer contributions	(9,101)	(10,011)	(300)	(291)
	\$ (981)	\$ (1,998)	\$ 911	\$ 788

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

## 5. Pension and other defined benefit plans (continued):

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

	2014	2013	2014	2013
	Pension plan	Pension plan	Other benefit plan	Other benefit plan
<b>Accrued benefit obligation:</b>				
Balance, beginning of year	\$ (344,869)	\$ (322,911)	\$ (8,510)	\$ (7,388)
Current service costs, inclusive of employee contributions	(14,256)	(14,033)	(757)	(657)
Interest cost	(21,501)	(20,115)	(364)	(356)
Less - benefits paid	15,088	13,237	328	255
Actuarial gain (loss)	(142)	(1,047)	591	(364)
<b>Balance, end of year</b>	<b>\$ (365,680)</b>	<b>\$ (344,869)</b>	<b>\$ (8,712)</b>	<b>\$ (8,510)</b>
<b>Plan assets:</b>				
Fair value, beginning of year	\$ 358,154	\$ 334,031	\$ -	\$ -
Actual return on plan assets	22,456	20,896	-	-
Employer contributions (included in salaries, wages and benefits)	9,638	10,575	328	255
Employees' contributions	7,008	6,957	-	-
Less - benefits paid	(15,088)	(13,237)	(328)	(255)
Actual plan expenses	(665)	(576)	-	-
Experience gain (loss)	7,703	(492)	-	-
<b>Fair value, end of year</b>	<b>\$ 389,206</b>	<b>\$ 358,154</b>	<b>\$ -</b>	<b>\$ -</b>
Funded status-plan surplus (deficit)	\$ 23,526	\$ 13,285	\$ (8,712)	\$ (8,510)
Unamortized net actuarial loss	3,225	11,948	451	1,132
Unamortized past service costs	2,303	2,840	66	94
<b>Accrued defined benefit plan assets (obligation)</b>	<b>\$ 29,054</b>	<b>\$ 28,073</b>	<b>\$ (8,195)</b>	<b>\$ (7,284)</b>

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

## 5. 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:

	2014	2013
Accrued benefit obligation at end of year:		
Rate of compensation increase	3.25%	3.25%
Discount rate (pension benefits)	6.25%	6.25%
Discount rate (other benefits)	4.55%	4.02%
Benefit costs for fiscal year:		
Expected long-term rate of return on plan assets	6.25%	6.25%
Discount rate (pension benefits)	6.25%	6.25%
Discount rate (other benefits)	4.02%	4.52%
Healthcare costs (other benefits) 8.50% in 2012, reducing to 5.00% in 2019 by 0.50% per annum	7.50%	8.00%
Dental costs (other benefits)	4.50%	4.50%
Rate of compensation increase	3.25%	3.25%

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

	2014	2013
Pooled bonds	33.70%	39.40%
Pooled equities	66.00%	60.60%
Cash and short-term investments	00.30%	-
	100.00%	100.00%

## 6. Deferred contributions:

Deferred contributions represent unspent restricted grants for education and research of \$2,471 (2013 - \$2,505), deferred funding from MOHLTC of \$14 (2013 - \$14) and unspent restricted grants for the Grand River Regional Cancer Centre in the amount of \$4,616 (March 31, 2013 - \$4,815). The changes in the deferred contributions balance are as follows:

	2014	2013
Balance, beginning of year	\$ 7,334	\$ 11,925
Contributions received during the year	1,595	2,045
Less amounts recognized as revenue during the year	(1,828)	(6,636)
Balance, end of year	\$ 7,101	\$ 7,334

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

## 7. Deferred capital contributions:

The changes in deferred capital contributions are as follows:

	2014	2013
Balance, beginning of year	\$ 159,112	\$ 160,588
Contributions from:		
Grand River Hospital Foundation (note 13)	4,991	1,429
Ontario Ministry of Health and Long-Term Care	1,153	3,761
Cancer Care Ontario	2,613	1,161
Region of Waterloo	-	2,431
Other capital contributions	1,143	1,894
	9,900	10,676
Less:		
Amortization of deferred capital contributions related to equipment	(4,474)	(3,852)
Amortization of deferred capital contributions related to buildings and building improvements	(8,816)	(8,300)
Balance, end of year	\$ 155,722	\$ 159,112

## 8. Internally restricted - capital assets:

Net assets invested in capital assets are calculated as follows:

	2014	2013
Capital assets	\$ 180,635	\$ 182,240
Amounts financed by:		
Deferred capital contributions	(155,722)	(159,112)
Accounts payable and accrued liabilities	(1,182)	(5,972)
	\$ 23,731	\$ 17,156

The Board of Directors has internally restricted \$23,731 of net assets to fund capital assets (2013 - \$17,156).



# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 9. 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:

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2015	\$	6,116
2016		2,119
2017		1,189
2018		1,113

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### (b) Capital commitments:

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

The commitments are as follows as at March 31, 2014:

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Major capital projects:		
Patient care development	\$	883

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These projects are being funded by the MOHLTC, 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:

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2015	\$	199
2016		122
2017		45

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# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 9. Commitments and contingencies (continued):

### (d) Contingencies:

The nature of the Hospital's activities is such that there may be litigation pending or in process at any time. With respect to claims at March 31, 2014, 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, 2014.

## 10. MOHLTC PCOP reconciliation adjustment:

In 2013, the Hospital received confirmation from the MOHLTC that the Post Construction Operating Plan ("PCOP") reconciliation process for Acute Inpatient, Ambulatory Care, Oncology Service Expansion and Waterloo Regional Cancer Centre Capital projects was completed and no amounts were owing to the MOHLTC for the period from April 1, 2006 through to March 31, 2010. As a result, the Hospital recorded one-time revenue in the statement of operations for the year ended March 31, 2013 of \$5,782.

In 2013, the Hospital also received confirmation clarifying the reconciliation methodology from the MOHLTC. As a result, certain liabilities recorded as of March 31, 2012 related to volume-based funding were no longer due to MOHLTC, which resulted in the Hospital recording one-time revenue in the statement of operations for the year ended March 31, 2013 of \$5,728.

In 2014, the Hospital received confirmation from the MOHLTC that all liabilities from April 1, 2011 to March 31, 2013 related to PCOP for volume-based funding are no longer due to the MOHLTC. The MOHLTC has allowed the increase in service related to the previous PCOP projects for Acute Inpatient, Ambulatory Care, Oncology Service Expansion and Waterloo Regional Cancer Centre to offset the current Patient Care Development PCOP project. This resulted in the Hospital recording additional revenue in the statement of operations for the year ended March 31, 2014 of \$15,351.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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

	2014	2013
Accounts receivable not applicable to capital assets	\$ (1,168)	\$ (4,119)
Inventories	176	(110)
Prepaid expenses	(989)	513
Accounts payable and accrued liabilities not applicable to capital assets	(5,106)	(1,577)
Deferred contributions not applicable to capital assets	(233)	(4,591)
	\$ (7,320)	\$ (9,884)

## 12. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable, cash and long-term investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2014 is the carrying value of these assets.

As at March 31, 2014, \$3,034 (2013 - \$4,365) of accounts receivable were past due, but not impaired.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2014 is \$1,256 (2013 - \$1,467).

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued  
(Expressed in Thousands of Dollars)

Year ended March 31, 2014

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## 13. 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 well as research and education, 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, one of the Foundation Board members is a member of the Hospital. The accounts of the Foundation are not included in these financial statements.

During the year, the Foundation donated \$4,320 (2013 - \$1,429) to the Hospital to fund capital projects. At March 31, 2014, there is \$1,956 (2013 - \$1,049) due from the Foundation to the Hospital. At December 31, 2013, the Foundation had net assets of \$30,582 (2012 - \$29,055).

### (b) Grand River Hospital 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 MOHLTC approval. The net book value and related unamortized portion of capital grants of the assets yet to be transferred is \$nil (2013 - \$15). 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 MOHLTC, provides operating funding of \$25,530 restricted for cancer services, to cover the Hospital for ambulatory, hotel and corporate costs for the year ended March 31, 2014 (2013 - \$22,920). MOHLTC funding for inpatient oncology services remains as part of the Hospital's global funding.