

Financial Statements of

**GRAND RIVER HOSPITAL  
CORPORATION**

Year ended March 31, 2010  
(Expressed in Thousands of Dollars)



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## AUDITORS' REPORT

To the Board of Directors of Grand River Hospital Corporation

We have audited the statement of financial position of Grand River Hospital Corporation (the "Hospital") as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada

May 7, 2010

# GRAND RIVER HOSPITAL CORPORATION

Statement of Financial Position  
(Expressed in Thousands of Dollars)

March 31, 2010, with comparative figures for 2009

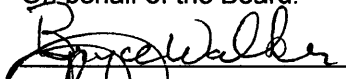

|  | 2010              | 2009              |
|--|-------------------|-------------------|
| <b>Assets</b>                            |                   |                   |
| Current assets:                          |                   |                   |
| Cash and short-term investments (note 3) | \$ 25,881         | \$ 26,380         |
| Accounts receivable (note 4)             | 17,313            | 19,665            |
| Inventories                              | 2,333             | 2,016             |
| Prepaid expenses                         | 2,334             | 2,071             |
|  | <u>47,861</u>     | <u>50,132</u>     |
| Capital assets (note 5)                  | 178,852           | 158,333           |
| Accrued pension benefit (note 6)         | 22,206            | 16,554            |
|  | <u>\$ 248,919</u> | <u>\$ 225,019</u> |

## Liabilities and Net Assets

|   |                   |                   |
|---|-------------------|-------------------|
| Current liabilities:  |                   |                   |
| Accounts payable and accrued liabilities                    | \$ 35,279         | \$ 31,453         |
| Deferred contributions (note 7)                             | 15,676            | 15,286            |
| Current portion of capital lease obligation (note 8(a))     | 158               | 152               |
|   | <u>51,113</u>     | <u>46,891</u>     |
| Other long-term liabilities (note 8(b))                     | 2,751             | 1,220             |
| Accrued other benefits obligation (note 6)                  | 4,636             | 3,479             |
| Deferred capital contributions (note 9)                     | 155,603           | 137,288           |
| Net assets:   |                   |                   |
| Internally restricted - capital assets (note 10)            | 16,143            | 17,506            |
| Internally restricted - education and corporate development | 1,200             | 1,200             |
| Unrestricted  | 17,473            | 17,435            |
|   | <u>34,816</u>     | <u>36,141</u>     |
| Commitments and contingencies (note 11)                     |                   |                   |
|   | <u>\$ 248,919</u> | <u>\$ 225,019</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, 2010, with comparative figures for 2009

|   | 2010              | 2009              |
|---|-------------------|-------------------|
| <b>Revenue:</b>   |                   |                   |
| Ontario Ministry of Health and Long-Term Care   | \$ 243,298        | \$ 229,588        |
| Billable patient services   | 21,474            | 21,477            |
| Recoveries from external sources  | 25,990            | 22,931            |
| Other   | 3,185             | 3,590             |
| Amortization of deferred capital contributions<br>related to equipment (note 9)                           | 2,913             | 3,450             |
|   | <u>296,860</u>    | <u>281,036</u>    |
| <b>Expenses:</b>  |                   |                   |
| Salaries, wages, benefits and purchased services  | 179,404           | 170,227           |
| Medical staff remuneration  | 20,970            | 19,443            |
| Non-salary  | 89,651            | 85,233            |
| Amortization of equipment   | 6,738             | 6,636             |
|   | <u>296,763</u>    | <u>281,539</u>    |
| <b>Excess (deficiency) of revenue over expenses for</b>   |                   |                   |
| Ontario Ministry of Health and Long-Term Care purposes  | 97                | (503)             |
| Amortization of buildings and building improvements   | (7,528)           | (7,066)           |
| Amortization of deferred capital contributions related to<br>buildings and building improvements (note 9) | 6,106             | 6,181             |
| <b>Deficiency of revenue over expenses</b>  | <u>\$ (1,325)</u> | <u>\$ (1,388)</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, 2010, with comparative figures for 2009

|   | Internally restricted -<br>capital assets | Internally<br>restricted -<br>education and<br>corporate<br>development | Unrestricted | 2010<br>Total | 2009<br>Total |
|---|---|---|--------------|---------------|---------------|
| Balance, beginning of year                      | \$ 17,506                                 | \$ 1,200  | \$ 17,435    | \$ 36,141     | \$ 37,529     |
| Excess (deficiency) of<br>revenue over expenses | (5,247)                                   | -   | 3,922        | (1,325)       | (1,388)       |
| Investment in capital<br>assets (note 10)       | 3,884                                     | -   | (3,884)      | -             | -             |
| Balance, end of year                            | \$ 16,143                                 | \$ 1,200  | \$ 17,473    | \$ 34,816     | \$ 36,141     |

See accompanying notes to financial statements.

# GRAND RIVER HOSPITAL CORPORATION

Statement of Cash Flows  
(Expressed in Thousands of Dollars)

Year ended March 31, 2010, with comparative figures for 2009

|   | 2010             | 2009             |
|---|------------------|------------------|
| Cash provided by (applied to):                                |                  |                  |
| Operations:   |                  |                  |
| Deficiency of revenue over expenses                           | \$ (1,325)       | \$ (1,388)       |
| Employer cash contributions to the KWH pension plan           | (8,031)          | (7,467)          |
| Items not involving cash:                                     |                  |                  |
| Amortization of equipment                                     | 6,738            | 6,636            |
| Amortization of buildings                                     | 7,528            | 7,066            |
| Amortization of deferred contributions related to equipment   | (2,913)          | (3,450)          |
| Amortization of deferred contributions related to buildings   | (6,106)          | (6,181)          |
| Defined benefit expense                                       | 3,536            | 4,971            |
| Change in non-cash operating working capital (note 12)        | 3,122            | 702              |
|   | <u>2,549</u>     | <u>889</u>       |
| Investing activities:   |                  |                  |
| Purchase and construction of capital assets, net of disposals | (32,755)         | (19,950)         |
| Financing activities:   |                  |                  |
| Contributions received for capital purposes                   | 28,170           | 8,644            |
| Increase in long-term liabilities                             | 1,537            | 692              |
|   | <u>29,707</u>    | <u>9,336</u>     |
| Decrease in cash  | (499)            | (9,725)          |
| Cash and short-term investments, beginning of year            | 26,380           | 36,105           |
| Cash and short-term investments, end of year                  | <u>\$ 25,881</u> | <u>\$ 26,380</u> |

See accompanying notes to financial statements.

# GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements  
(Expressed in Thousands of Dollars)

Year ended March 31, 2010

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The Grand River Hospital Corporation (the "Hospital") is a regional provider of community hospital services to the Cities of Kitchener and Waterloo and the Regional Municipality of Waterloo. 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.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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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 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:

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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, 2010

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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.

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 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.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (g) Employee benefits plans (continued):

#### (i) Defined benefit plans:

The transitional asset (obligation) is being amortized at \$3,423 per year and will be fully amortized in the year ending March 31, 2013.

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 13 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 Hospitals 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.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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## 2. Change in accounting policy:

Effective April 1, 2009, the Hospital adopted the following Canadian Institute of Chartered Accountants ("CICA") presentation and disclosure standards:

(i) Amendments to accounting standards that apply only to not-for-profit organizations:

Effective April 1, 2009, the Hospital adopted the CICA amendments to the 4400 Sections of the Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. The Hospital Board of Directors elected to internally restrict a portion of net assets to fund capital assets and present the balance separately on the statement of financial position. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

(ii) Amendments to CICA Handbook Section 1000 Financial Statement Concepts:

These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

## 3. Cash and short-term investments:

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 (2009 - \$2,599) is held in short-term investment instruments bearing interest at nil% (2009 - 0.33%).

The remaining cash is in a current account bearing interest at a rate of prime minus 1.75%. At year end, the prime rate was 2.25% (2009 - 2.50%).

## 4. Accounts receivable:

|   | 2010             | 2009             |
|---|------------------|------------------|
| Ontario Ministry of Health and Long-Term Care | \$ 4,396         | \$ 6,462         |
| Cancer Care Ontario:                          |                  |                  |
| Operating                                     | 3,379            | 1,589            |
| Capital                                       | 34               | 870              |
| Grand River Hospital Foundation               | 442              | 145              |
| Patient                                       | 4,282            | 4,757            |
| Other   | 4,780            | 5,842            |
|   | <u>\$ 17,313</u> | <u>\$ 19,665</u> |

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

## 5. Capital assets:

|  |                   |                             | 2010              | 2009              |
|--|-------------------|-----------------------------|-------------------|-------------------|
|  | Cost              | Accumulated<br>amortization | Net book<br>value | Net book<br>value |
| Land   | \$ 809            | \$ -                        | \$ 809            | \$ 809            |
| Buildings and related<br>service equipment and<br>improvements | 210,530           | (99,154)                    | 111,376           | 105,459           |
| Furniture and equipment  | 81,936            | (59,963)                    | 21,973            | 20,450            |
| Construction in progress                                       | 44,694            | -                           | 44,694            | 31,615            |
|  | <b>\$ 337,969</b> | <b>\$ (159,117)</b>         | <b>\$ 178,852</b> | <b>\$ 158,333</b> |

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 a defined benefit registered pension plan ("KWH 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 December 31, 2007, together with a projection of these results to March 31, 2010 and 2009. The next required valuation will be no later than December 31, 2010.

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, 2008 indicated that the plan is fully funded on a solvency basis.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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

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:

|                                      | 2010     | 2009     |
|--------------------------------------|----------|----------|
| Cash paid for contributions to HOOPP | \$ 4,108 | \$ 3,588 |

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

|  | 2010            | 2009            | 2010                     | 2009                     |
|--|-----------------|-----------------|--------------------------|--------------------------|
|  | Pension<br>plan | Pension<br>plan | Other<br>benefit<br>plan | Other<br>benefit<br>plan |
| Current service costs, net of employees' contributions | \$ 6,961        | \$ 9,670        | \$ 343                   | \$ 159                   |
| Expected non-investment expense                        | 500             | 500             | -                        | -                        |
| Interest cost  | 17,977          | 16,730          | 323                      | 400                      |
| Less – expected return on plan assets                  | (20,323)        | (20,565)        | -                        | -                        |
| Amortization of transitional obligation                | (3,423)         | (3,423)         | 271                      | 271                      |
| Amortization of past service costs                     | 681             | 681             | 220                      | 506                      |
| Amortization of net actuarial loss                     | 6               | 42              | -                        | -                        |
| Benefit plan expense                                   | 2,379           | 3,635           | 1,157                    | 1,336                    |
| Cash paid for employer contributions                   | (8,031)         | (7,467)         | -                        | -                        |
|  | \$ (5,652)      | \$ (3,832)      | \$ 1,157                 | \$ 1,336                 |

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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

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

|   | 2010                | 2009                | 2010               | 2009               |
|---|---------------------|---------------------|--------------------|--------------------|
|   | Pension plan        | Pension plan        | Other benefit plan | Other benefit plan |
| <b>Accrued benefit obligation:</b>                                |                     |                     |                    |                    |
| Balance, beginning of year  | \$ (279,667)        | \$ (310,190)        | \$ (5,131)         | \$ (7,476)         |
| Current service costs, inclusive of employee contributions        | (13,165)            | (15,603)            | (343)              | (159)              |
| Interest cost   | (17,977)            | (16,730)            | (323)              | (400)              |
| Less - benefits paid  | 10,089              | 10,774              | 173                | 131                |
| Actuarial gain (loss)   | (30,944)            | 52,082              | (331)              | 2,773              |
| <b>Balance, end of year</b>                                       | <b>\$ (331,664)</b> | <b>\$ (279,667)</b> | <b>\$ (5,955)</b>  | <b>\$ (5,131)</b>  |
| <b>Plan assets:</b>   |                     |                     |                    |                    |
| Fair value, beginning of year                                     | \$ 249,230          | \$ 291,096          | \$ -               | \$ -               |
| Actual return on plan assets                                      | 49,427              | (43,680)            | -                  | -                  |
| Employer contributions (included in salaries, wages and benefits) | 8,031               | 7,467               | 173                | 131                |
| Employees' contributions  | 6,204               | 5,933               | 119                | 98                 |
| Less benefits paid  | (10,089)            | (10,774)            | (292)              | (229)              |
| Actual plan expenses  | (889)               | (812)               | -                  | -                  |
| <b>Fair value, end of year</b>                                    | <b>\$ 301,914</b>   | <b>\$ 249,230</b>   | <b>\$ -</b>        | <b>\$ -</b>        |
| Funded status-plan deficit  | \$ (29,750)         | \$ (30,437)         | \$ (5,955)         | \$ (5,131)         |
| Unamortized net actuarial loss (gain)                             | 58,891              | 56,668              | (2,962)            | (3,539)            |
| Unamortized transitional asset (obligation)                       | (10,265)            | (13,688)            | 1,085              | 1,356              |
| Unamortized past service costs                                    | 3,330               | 4,011               | 3,196              | 3,835              |
| <b>Accrued defined benefit plan assets (obligation)</b>           | <b>\$ 22,206</b>    | <b>\$ 16,554</b>    | <b>\$ (4,636)</b>  | <b>\$ (3,479)</b>  |

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

## 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:

|   | 2010  | 2009   |
|---|-------|--------|
| Accrued benefit obligation at end of year:  |       |        |
| Rate of compensation increase   | 3.50% | 3.50%  |
| Discount rate (pension benefits)  | 5.70% | 6.40%  |
| Discount rate (other benefits)  | 5.20% | 6.00%  |
| Benefit costs for fiscal year:  |       |        |
| Expected long-term rate of return on plan assets  | 6.75% | 6.75%  |
| Discount rate (pension benefits)  | 6.40% | 5.35%  |
| Discount rate (other benefits)  | 6.00% | 5.30%  |
| Healthcare costs (other benefits) 10.00% in 2009,<br>reducing to 5.00% in 2019 by 0.50% per annum | 9.50% | 10.00% |
| Dental costs (other benefits)   | 4.50% | 4.50%  |
| Rate of compensation increase   | 3.50% | 3.50%  |

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

|                    | 2010   | 2009   |
|--------------------|--------|--------|
| Pooled bonds       | 38.7%  | 50.4%  |
| Pooled investments | 61.3%  | 49.6%  |
|                    | 100.0% | 100.0% |

## 7. Deferred contributions:

Deferred contributions represent unspent restricted grants for education and research of \$2,749 (2009 - \$2,614), and deferred funding from Ministry of Health and Long-Term Care of \$6,923 (2009 - \$6,891) and for the Grand River Regional Cancer Centre in the amount of \$6,004 (2009 - \$5,781). The changes in the deferred contributions balance are as follows:

|  | 2010      | 2009      |
|--|-----------|-----------|
| Balance, beginning of year                         | \$ 15,286 | \$ 7,971  |
| Contributions received during the year             | 6,211     | 10,512    |
| Less amounts recognized as revenue during the year | (5,821)   | (3,197)   |
| Balance, end of year                               | \$ 15,676 | \$ 15,286 |

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

## 8. Other long-term liabilities (continued):

### (a) Obligation under capital lease:

|   | 2010   | 2009   |
|---|--------|--------|
| Year ending March 31:                               |        |        |
| 2010  | \$ -   | \$ 170 |
| 2011  | 170    | 170    |
| 2012  | 170    | 170    |
| Total minimum lease payments                        | 340    | 510    |
| Less amount representing interest at 4.94%          | 18     | 36     |
| Present value of net minimum capital lease payments | 322    | 474    |
| Current portion of obligation under capital lease   | 158    | 152    |
|   | \$ 164 | \$ 322 |

### (b) Other long-term liabilities consist of:

|                       | 2010     | 2009     |
|-----------------------|----------|----------|
| Capital lease         | \$ 164   | \$ 322   |
| Construction holdback | 2,587    | 898      |
|                       | \$ 2,751 | \$ 1,220 |



# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

## 9. Deferred capital contributions:

The changes in deferred capital contributions are as follows:

|   | 2010       | 2009       |
|---|------------|------------|
| Balance, beginning of year  | \$ 137,288 | \$ 137,605 |
| Contributions from:   |            |            |
| Grand River Hospital Foundation (note 14)   | 7,724      | 2,599      |
| Ontario Ministry of Health and Long-Term Care   | 14,606     | 5,682      |
| The Regional Municipality of Waterloo   | 3,500      | 534        |
| Cancer Care Ontario   | 726        | (55)       |
| Other capital contributions   | 778        | 554        |
|   | 164,622    | 146,919    |
| Less:   |            |            |
| Amortization of deferred capital contributions related to equipment                           | (2,913)    | (3,450)    |
| Amortization of deferred capital contributions related to buildings and building improvements | (6,106)    | (6,181)    |
| Balance, end of year  | \$ 155,603 | \$ 137,288 |

## 10. Internally restricted - capital assets:

Net assets invested in capital assets is calculated as follows:

|  | 2010       | 2009       |
|--|------------|------------|
| Capital assets                           | \$ 178,852 | \$ 158,333 |
| Amounts financed by:                     |            |            |
| Deferred capital contributions           | (155,603)  | (137,288)  |
| Accounts payable and accrued liabilities | (4,198)    | (2,168)    |
| Long-term liabilities                    | (2,908)    | (1,371)    |
|  | \$ 16,143  | \$ 17,506  |

The Board of Directors has internally restricted \$16,143 of net assets to fund capital assets (2009-\$17,506).

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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## 11. Commitments and contingencies:

### (a) Service commitments:

The Hospital has outsourced its information systems under an agreement that expires in 2012. Specific medical equipment and other support services are outsourced under agreements that expire 2010, 2011 and 2012, respectively. An outsourcing agreement was signed this fiscal year 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:

---

|            |    |       |
|------------|----|-------|
| 2011       | \$ | 2,538 |
| 2012       |    | 2,033 |
| 2013       |    | 1,998 |
| 2014       |    | 525   |
| 2015       |    | 540   |
| Thereafter |    | 278   |

---

### (b) Capital commitments:

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

The commitments are as follows as at March 31, 2010:

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|  |    |        |
|--|----|--------|
| Major capital projects:                              |    |        |
| Long-Term Mental Health and Patient Care Development | \$ | 53,458 |

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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:

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|      |    |     |
|------|----|-----|
| 2011 | \$ | 546 |
| 2012 |    | 295 |
| 2013 |    | 38  |

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# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

## 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, 2010, management believes that the Hospital has valid defenses 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.

The Hospital participates in Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. All members of the pool pay premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2010.

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

|   | 2010            | 2009          |
|---|-----------------|---------------|
| Accounts receivable not applicable to capital assets                      | \$ 1,516        | \$ (1,242)    |
| Inventories   | (317)           | (74)          |
| Prepaid expenses  | (263)           | 473           |
| Accounts payable and accrued liabilities not applicable to capital assets | 1,796           | (5,628)       |
| Deferred contributions not applicable to capital assets                   | 390             | 7,315         |
| Long-term liabilities not applicable to capital assets                    | -               | (142)         |
| <b>Net change in non-cash operating working capital balances</b>          | <b>\$ 3,122</b> | <b>\$ 702</b> |

## 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.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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## 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 \$7,724 (2009 - \$2,599) to the Hospital to fund capital projects. At March 31, 2010, there is \$442 (2009 - \$145) due from the Foundation to the Hospital. At December 31, 2009, the Foundation had net assets of \$27,937 (2009 - \$25,209).

### (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.

At March 31, 2010, there is \$9 (2009 - \$8) due from the Volunteer Association to the Hospital.

### (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 \$662 (2009 - \$181). 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 \$20,838 for the year ending March 31, 2010 (2009 - \$17,773). Ministry funding for inpatient oncology services remains as part of the Hospital's global funding.

# GRAND RIVER HOSPITAL CORPORATION

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

Year ended March 31, 2010

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## 15. Supplemental cash flow information:

|                            | 2010  | 2009   |
|----------------------------|-------|--------|
| Cash received for interest | \$ 77 | \$ 445 |

## 16. Financial instruments:

### (a) Fair value:

For certain of the Hospital's financial instruments, cash, accounts receivable, bank indebtedness, 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.

## 17. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2010.