

Financial statements of

**Royal Victoria Regional
Health Centre**

March 31, 2014

Royal Victoria Regional Health Centre

March 31, 2014

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Independent Auditor's Report

To the Chairman, Board of Directors and Members of the Corporation,
Royal Victoria Regional Health Centre

We have audited the accompanying financial statements of the Royal Victoria Regional Health Centre, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal controls 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, these financial statements present fairly, in all material respects, the financial position of the Royal Victoria Regional Health Centre as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2014

Royal Victoria Regional Health Centre

Statement of Financial Position

As at March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
Assets		
Current assets		
Cash (Note 3)	48,609	59,074
Due from Ministry of Health and Long-Term Care/ North Simcoe Muskoka Local Health Integration Network	6,040	4,670
Due from Cancer Care Ontario	842	3,327
Due from The Royal Victoria Hospital of Barrie Foundation (Note 4(b))	1,517	1,001
Accounts receivable (Note 4(c))	6,413	8,690
Grants receivable	955	47,020
Inventories	1,590	1,645
Prepaid expenses	1,552	1,101
	67,518	126,528
Investment in joint venture (Note 4(c))	161	161
Capital assets (Note 5)	391,881	399,333
	459,560	526,022
Liabilities		
Current liabilities		
Accounts payable and accrued charges	63,296	76,580
Due to Ministry of Health and Long-Term Care/ North Simcoe Muskoka Local Health Integration Network	9,418	3,773
Due to Cancer Care Ontario	839	73
Current portion of obligation under capital lease (Note 6)	58	55
Current portion of Phase 1 Capital Expansion Obligation	1,122	56,551
	74,733	137,032
Obligation under capital lease (Note 6)	161	220
Deferred contributions related to capital assets (Note 7)	374,972	380,176
Employee future benefits (Note 8)	6,865	5,829
	381,998	386,225
Net assets (deficit)		
Internally restricted		
Invested in capital assets (Note 9(a))	18,382	9,351
Reserve funds (Note 10)	6,103	5,657
Unrestricted	(21,656)	(12,243)
	2,829	2,765
	459,560	526,022

On behalf of the Board

 Director

 Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Royal Victoria Regional Health Centre

Statement of Operations

Year ended March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
Revenues		
Ontario Ministry of Health and Long-Term Care/North Simcoe Muskoka Local Health Integration Network		
Hospital programs (Note 11)	218,329	202,894
Specifically funded programs (Note 12)	7,404	7,132
Cancer Care Ontario	19,202	16,474
OHIP and other patient care	19,786	18,428
Preferred accommodation	4,124	4,211
Other (Note 13)	15,017	22,498
Amortization of deferred contributions	20,798	19,762
	304,660	291,399
Expenses		
Salaries, wages and benefits (Note 8)	167,495	154,879
Medical staff remuneration	30,940	28,556
Medical and surgical supplies	18,002	17,672
Drugs	15,407	13,597
Specifically funded programs (Note 12)	7,391	7,311
Other supplies and expenses	40,738	44,282
Amortization of capital assets	24,623	23,770
	304,596	290,067
Excess of revenues over expenses for the year	64	1,332

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Royal Victoria Regional Health Centre

Statement of Changes in Net Assets

Year ended March 31, 2014

(In thousands of dollars)

	Invested in capital assets	Reserve funds	Unrestricted	2014	2013
	\$	\$	\$	\$	\$
Balance, beginning of year	9,351	5,657	(12,243)	2,765	1,433
Excess of revenues over expenses (expenses over revenues) for the year	(3,843)	-	3,907	64	1,332
Net change in investment in capital assets (Note 9)	12,874	-	(12,874)	-	-
Internally imposed restrictions (Note 10)	-	446	(446)	-	-
Balance, end of year	18,382	6,103	(21,656)	2,829	2,765

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Royal Victoria Regional Health Centre

Statement of Cash Flows

Year ended March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	64	1,332
Items not affecting cash		
Loss on disposal of capital assets	18	251
Amortization of capital assets	24,623	23,770
Amortization of deferred contributions related to capital assets	(20,798)	(19,762)
Deferred contributions recognized as revenue	-	(32)
Employee post-retirement benefits expense	1,137	1,622
Net change in non-cash working capital balances related to operations (Note 14)	(4,393)	7,573
	651	14,754
Capital activities		
Additions to capital assets	(17,212)	(35,499)
Proceeds on disposal of capital assets	23	93
	(17,189)	(35,406)
Financing activities		
Repayment of obligation under capital lease	(56)	(137)
Increase in deferred contributions related to capital assets	15,594	52,313
(Decrease) increase in phase 1 capital expansion obligation	(55,429)	16,629
Decrease (increase) in grants receivable	46,065	(46,020)
Contributions to employee post-retirement benefits	(101)	-
	6,073	22,785
(Decrease) increase in cash during the year	(10,465)	2,133
Cash, beginning of year	59,074	56,941
Cash, end of year	48,609	59,074

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

1. Nature of the organization

Royal Victoria Regional Health Centre ("the Health Centre") is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). The Health Centre is principally involved in providing health care services to the residents of Simcoe County.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Health Centre have been prepared in accordance with Canadian public sector accounting standards ("PSAS" or "PS") including PS4200-4270 pertaining to government not-for-profit organizations, and include the following significant accounting policies.

Revenue recognition

The Health Centre follows the deferral method of accounting for contributions which includes donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2014.

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

Externally restricted 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 for the related asset.

Fees for medical services are recognized as revenue when the services are provided.

Contributed services

The Health Centre is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Health Centre and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Financial instruments

All financial instruments reported on the statement of financial position of the Health Centre are measured as follows:

Cash	Amortized cost
Receivables	Amortized cost
Current liabilities	Amortized cost

Inventories

Inventories are valued at the lower of cost and replacement cost. For inventories of stores, cost has been determined on the weighted average basis. All other inventories are valued on the first-in, first-out basis.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. Construction in progress, including related financing costs, is recorded based on the percentage of completion of the project. Amortization of construction in progress will commence upon completion of the project. When an asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its residual value.

Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	40 or 50 years
Building components	5 to 20 years
Building service equipment	5 to 20 years
Equipment	3 to 20 years
Equipment under capital leases	5 to 20 years
Land and parking lot improvements	5 to 20 years

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period.

Accounts involving significant estimates include accounts receivable, capital assets, certain accrued charges, and employee future benefits. Actual results could differ from management's estimates as additional information becomes available in the future.

Investment in joint venture

The Health Centre owns 50% of the common shares of Royal ProResp Inc. The Health Centre has appointed 50% of the members of the joint venture's Board of Directors and as a result, has joint control over the strategic operating, investing and financing policies of the corporation. The remaining 50% interest is held by an unrelated party. The activity of this joint venture is included in the accompanying statements following the equity method (Note 4(c)).

Employee future benefits

The Health Centre accrues its obligations for employee future benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the average remaining service period of the active employees.

The Health Centre is an employer member of the Healthcare of Ontario Pension Plan, which is a multiemployer, defined benefit pension plan. The Health Centre has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles (Note 8).

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Impairment of long lived assets

Assets are reviewed for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. The Health Centre monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Health Centre's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

3. Cash and short-term investment

The Health Centre's bank accounts are held at a chartered bank. The operating bank accounts earn interest at prime less 1.75% calculated on the daily balances up to \$75,000.

4. Related entities

(a) Royal Victoria Hospital Auxiliary Inc.

The Health Centre has an economic interest in the Royal Victoria Hospital Auxiliary Inc. ("the Auxiliary"). The Auxiliary supports and assists the Health Centre, its staff and the Foundation in providing the best level of patient care through support services; in part as overseen by the volunteer services department of the Health Centre. The Health Centre does not exercise control or significant influence over the Auxiliary and consequently these financial statements do not include assets, liabilities and activities of the Auxiliary.

(b) The Royal Victoria Hospital of Barrie Foundation

The Royal Victoria Hospital of Barrie Foundation ("the Foundation") is incorporated without share capital under the Corporations Act (Ontario) and is a public foundation under the Income Tax Act (Canada). The Health Centre controls the Foundation which raises funds from the community for the benefit of the Health Centre. The members of the Foundation must elect a majority of its Board of Directors from the Board of Directors of the Health Centre. The President of the Health Centre is an ex-officio Director of the Foundation.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

4. Related entities (continued)

(b) The Royal Victoria Hospital of Barrie Foundation (continued)

The Foundation has not been consolidated in the Health Centre's financial statements. Financial statements of the Foundation are publicly available. Financial summaries of the Foundation are as follows:

	2014	2013
	\$	\$
Financial position		
Total assets	27,885	28,944
Total liabilities	696	1,029
Total net assets	27,189	27,915
	27,885	28,944
Results of operations		
Revenues, including unrealized investment gains	10,499	8,813
Expenses, including unrealized investment losses	(4,082)	(3,915)
Distributions to the Health Centre	(7,143)	(1,802)
Excess of (expenses over revenues)		
revenues over expenses	(726)	3,096
Cash flows		
Operating activities	(1,184)	2,876
Financing and investing activities	(13,579)	9,473
Net (decrease) increase in cash	(14,763)	12,349

All of the net assets of the Foundation must be used for the benefit of the Health Centre. As at December 31, 2013, an amount of \$23,654 (December 31, 2012 - \$13,488) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

An amount of \$1,517 (2013 - \$1,001) is due from the Foundation as a result of the transactions described in (i) and (ii) below.

- (i) An amount of \$253 (2013 - (\$252)) due (to)/from the Foundation has resulted from: a) the Health Centre paying for operating expenses of the Foundation on its behalf in excess of amounts reimbursed; and b) the Health Centre paying parking expenses of the Foundation on its behalf in excess of amounts reimbursed under various contractual agreements entered into by both parties which extend to June 30, 2020. The balance owing by the Health Centre at year end is due on demand and bears no interest.
- (ii) An amount of \$1,264 (2013 - \$1,253) is due from the Foundation as a result of a pledge agreement entered into by both parties which extends to June 30, 2020, all of which has been included in deferred revenue. The balance owing to the Health Centre at year end will be paid within one year and bears no interest.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (iii) The Health Centre received \$5,216 (2013 - \$335) from the Foundation for the purchase of capital assets, \$202 (2013 - \$335) of which was recorded as deferred contributions related to capital assets and \$5,014 (2013 - \$Nil) of which was recorded as deferred contributions related to the Phase 1 Capital Expansion Project.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

4. Related entities (continued)

(b) The Royal Victoria Hospital of Barrie Foundation (continued)

- (iv) The Health Centre received \$1,241 (2013 - \$289) from the Foundation for educational purposes and for the purchase of small equipment which has been included in other revenue in the statement of operations (Note 13).
- (v) In addition to the amounts described in (ii) above, the Health Centre received \$2,995 (2013 - \$2,917) from the Foundation relating to various contractual agreements entered into by both parties which extend to June 30, 2020, all of which has been included in other revenue in the statement of operations (Note 13).

(c) Investment in joint venture

The Health Centre has a 50% interest in a profit oriented joint venture - Royal ProResp Inc., which is primarily engaged in providing home respiratory care services and products.

The following represents the Health Centre's 50% share of the joint venture's assets, liabilities and results of operations.

	2014	2013
	\$	\$
Financial position		
Total assets	824	808
Total liabilities	292	305
Total shareholder's equity	532	503
	824	808
Results of operations		
Total revenues	2,183	2,036
Total expenses	(1,803)	(1,686)
Excess of revenues over expenses	380	350
Cash flows		
Operating activities	237	866
Financing and investing activities	(462)	(878)
Net decrease in cash	(226)	(12)

The amount of \$161 (2013 - \$161) reported on the statement of financial position as the Health Centre's investment in the joint venture represents the Health Centre's share of the retained earnings of the joint venture.

As at March 31, 2014, an amount of \$385 (2013 - \$395), representing the Health Centre's management fees for the year, is due from the joint venture and is included in accounts receivable of \$6,413 (2013 - \$8,690) and reported as other revenue in the statement of operations (Note 13).

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

5. Capital assets

	2014			2013		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land	2,190	-	2,190	2,190	-	2,190
Buildings and building components	274,275	32,732	241,543	264,721	26,043	238,678
Building service equipment	141,404	39,752	101,652	140,404	32,749	107,655
Equipment	118,799	76,375	42,424	114,923	68,667	46,256
Equipment under capital leases	527	246	281	1,049	733	316
Land and parking lot improvements	9,471	5,680	3,791	9,376	5,138	4,238
	546,666	154,785	391,881	532,663	133,330	399,333

Equipment in the amount of \$4,032 (2013 - \$3,780) included in the above amounts have not been put into use. Accordingly, no amortization has been recorded on these assets.

During the year, the Health Centre acquired capital assets at an aggregate cost of \$17,212 (2013 - \$35,499).

Amortization relating to equipment under capital lease for the year is \$35 (2013 - \$35) which is included in amortization of capital assets reported in the statement of operations.

Not included in the above cost of Health Centre equipment is certain equipment that is owned and provided by Cancer Care Ontario ("CCO"). The Health Centre is a host hospital for CCO and as such CCO's equipment is located on the Health Centre's premises and is utilized to provide patient care. The Health Centre is responsible for costs to maintain, operate and insure this equipment owned by CCO.

6. Obligation under capital lease

The Health Centre has entered into a long-term capital lease for equipment with an interest rate of 5.76% ending in fiscal year 2018.

The following is a schedule of minimum lease payments required until the end of the lease.

	\$
2015	69
2016	69
2017	69
2018	35
	242
Less: imputed interest	23
	219
Less: current portion	58
	161

The obligation under capital lease is secured by the specific leased equipment. During the year interest of \$14 (2013 - \$19) was charged to the statement of operations related to this lease.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

7. Deferred contributions related to capital assets

	2014	2013
	\$	\$
Balance, beginning of year	380,176	347,657
Additional contributions	15,594	52,313
Amounts amortized to revenue	(20,798)	(19,762)
Amounts credited to operations	-	(32)
Balance, end of year	374,972	380,176

Deferred contributions related to capital assets represent the amount of donations and grants received for the purchase of capital assets. These contributions are amortized, and recorded as revenue in the statement of operations, on the same basis as the amortization of the related asset.

8. Employee future benefits

(a) Pension plan

Substantially all of the employees of the Health Centre are members of the Healthcare of Ontario Pension Plan ("HOOPP") which is a multiemployer defined benefit, final average earnings, and contributory pension plan. The Health Centre's contributions to HOOPP during the year amounted to \$11,779 (2013 - \$10,352), of which \$11,319 (2013 - \$9,895) is included in salaries, wages and benefits expenses, \$343 (2013 - \$332) is included in specifically funded programs expenses in the statement of operations, and \$117 (2013 - \$125) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2013 indicates the Plan is 114% (2013 - 104%) funded. The results of this valuation disclosed total actuarial liabilities of \$41,478 in respect of benefits accrued for service with actuarial net assets of \$41,592 indicating an actuarial surplus of \$5,702. Because the plan is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Health Centre does not recognize any share of the Plan surplus or deficit. The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned.

(b) Other employee future benefits

The Health Centre provides post-retirement extended healthcare and dental benefits to fulltime unionized members of SEIU and post-retirement life insurance benefits to all employees. ONA and non-union employees have the option of obtaining extended healthcare and dental benefits through the Health Centre's plan at their own cost upon retirement. These benefits end at the earlier of the member's death or at age 65. At March 31, 2014, the Health Centre's accrued benefit liability relating to employee future benefits is \$7,249 (2013 - \$6,213) of which \$384 (2013 - \$384) is due in the next fiscal year and is included in accounts payable and accrued charges. These amounts have been calculated using the most recent actuarial valuation as at March 31, 2013.

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

Discount rate	4.10% (2013 - 4.25%) per annum
Dental benefits cost escalation	4.00% (2013 - 4.00%) per annum
Extended healthcare cost escalation	8.00% (2013 - 8.00%) decreasing by 0.20% per annum to ultimate rate of 5.00% per annum by 2028 and thereafter.

Included in salaries, wages and benefits in the statement of operations is an amount of \$1,134 (2013 - \$1,853) regarding accrued future benefits.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

8. Employee future benefits (continued)

(b) Other employee future benefits (continued)

(i) The accrued non-pension liability as at March 31, 2014 is calculated as follows:

	2014	2013
	\$	\$
Accrued benefit liability - beginning of year	6,213	4,492
Expense	1,137	1,853
Funding contributions	(101)	(132)
Accrued benefit liability - end of year	7,249	6,213
Less: current portion included in accounts payable and accrued charges	(384)	(384)
Long-term portion	6,865	5,829

(ii) The non-pension benefit expense for the year is calculated as follows:

	2014	2013
	\$	\$
Accrual for services	612	317
Interest on accrued benefits	378	270
Amortization of Actuarial losses during the period	147	20
Adjustment for prior service cost	-	1,246
Expense for the year	1,137	1,853

(iii) The accrued benefit liability as at March 31, 2014 is calculated as follows:

	2014	2013
	\$	\$
Accrued benefit obligation	9,523	8,508
Less: unamortized actuarial losses	(2,274)	(2,295)
	7,249	6,213

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

9. Investment in capital assets

(a) Investment in capital assets is calculated as follows:

	2014	2013
	\$	\$
Capital assets	391,881	399,333
Amounts financed by restricted		
deferred capital contributions	(374,972)	(380,176)
Obligations under capital leases	(219)	(275)
Phase 1 Capital Expansion Project obligation	(1,122)	(56,551)
Phase 1 Capital Expansion Grant receivable	955	47,020
Working capital invested in		
capital assets	1,859	-
	<u>18,382</u>	<u>9,351</u>

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

	2014	2013
	\$	\$
Excess of expenses over revenues		
Amortization of deferred contributions related to capital assets	20,798	19,762
Amortization of capital assets	(24,623)	(23,770)
Loss on disposal of capital assets	(18)	(251)
	<u>(3,843)</u>	<u>(4,259)</u>
Net change in investment in capital assets		
Additions to capital assets	17,212	35,499
Decrease (increase) in Phase 1 Capital Expansion		
Project obligation	55,429	(16,629)
Increase in deferred capital contributions	(15,594)	(52,313)
Deferred contributions recognized as revenue	-	32
Decrease in obligations under capital leases	56	137
Proceeds on disposal of capital assets	(23)	(93)
Change in working capital investment	1,859	(18,543)
(Decrease) increase in grant receivable related to Phase 1		
Capital Expansion Project	(46,065)	46,020
	<u>12,874</u>	<u>(5,890)</u>

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

10. Internally restricted reserve funds

A portion of the Health Centre's net assets have been set aside for restricted use as approved by the Board of Directors as follows:

	2014	2013
	\$	\$
Special Purpose Fund		
Balance, beginning of year	1,596	1,455
Transferred from unrestricted net assets	71	141
Balance, end of year	1,667	1,596
Special Reserve Fund		
Balance, beginning of year	3,920	3,495
Transferred from unrestricted assets	375	425
Balance, end of year	4,295	3,920
Re-investment Reserve Fund		
Balance, beginning of year	141	141
Transferred from unrestricted assets	-	-
Balance, end of year	141	141
Roof Replacement Reserve Fund		
Balance, beginning of year	-	518
Transferred from unrestricted net assets	-	(518)
Balance, end of year	-	-
Total internally restricted reserve funds, end of year	6,103	5,657

The purpose of the Special Purpose Fund is to accumulate net revenues, before amortization, generated by real estate assets not used in the day to day operations of the Health Centre.

The purpose of the Special Reserve Fund is to accumulate net revenues generated by the Health Centre's investment in Royal ProResp Inc. (Note 4(c)).

The purpose of the Re-investment Reserve Fund is to accumulate net revenues not used in the current operations of the Health Centre for future operating purposes.

The purpose of the Roof Replacement Reserve Fund is to assist with the expected future costs associated with the replacement of the existing roof.

11. Ministry of Health and Long-term Care – Diabetes Program Funding

Included in the statement of operations are gross revenues and expenses for the Diabetes Education Program in the amount of \$150 and gross revenues and expenses for the Paediatric Diabetes Program in the amount of \$82.

As at March 31, 2014, the Health Centre has included in accounts payable an amount of \$1 due to the North Simcoe Muskoka Local Health Integration Network for the Diabetes Education Program.

In 2013, the amounts were included in specifically funded programs revenue and expenses (see Note 12).

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

12. Specifically funded programs

The Health Centre administers a number of programs which are specifically funded by the MOHLTC and other agencies. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Health Centre and any excess or deficiency of revenues over expenses is settled with the MOHLTC and other agencies on an annual basis. As at March 31, 2014, the Health Centre has included in accounts payable an amount of \$922 (2013 - \$910) as due to the MOHLTC and other agencies and has included in accounts receivable an amount of \$30 (2013 - \$28) as due from the MOHLTC and other agencies related to these programs.

Included in specifically funded programs are gross revenues and expenses for the Diabetes Education Program in the amount of \$Nil (2013 - \$150), gross revenues and expenses for the Paediatric Diabetes Program in the amount of \$Nil (2013 - \$27), gross revenues and expenses for the Community Mental Health and Addictions Program in the amount of \$3,670 (2013 - \$3,564), gross revenues and expenses for the Primary Care Asthma Program in the amount of \$57 (2013 - \$57), gross revenues of \$2,611 (2013 - \$2,455) for all other specifically funded programs and gross expenses of \$2,598 (2013 - \$2,634) for all other specifically funded programs.

Included in specifically funded programs are gross revenues and expenses from the County of Simcoe of \$847 (2013 - \$660).

In addition, included in specifically funded programs are the following revenues and expenses related to the Children's Speech and Language Program funded by the Ministry of Community and Social Services ("MCSS").

	2014	2013
	\$	\$
Revenue		
Funding from the MCSS	219	219
Expenses		
Salaries and benefits	193	195
Other service costs	13	11
Allocated central administration	13	13
	219	219
	-	-

13. Other revenue

	2014	2013
	\$	\$
Foundation - contractual agreements (Note 4(b)(iv))	1,241	289
Foundation - other (Note 4(b)(v))	2,995	2,917
Royal ProResp management fees (Note 4(c))	385	395
Other revenue	10,396	18,897
	15,017	22,498

Other revenue includes recoveries, lab fees, donations, rental, investment and other miscellaneous income.

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

14. Net change in non-cash working capital balances

	2014	2013
	\$	\$
Amounts due from		
Ministry of Health and Long-Term Care/Local Health		
Integration Networks	(1,370)	(2,071)
Cancer Care Ontario	2,485	(419)
The Royal Victoria Hospital of Barrie Foundation	(516)	452
Accounts receivable	2,277	(818)
Inventories	55	(328)
Prepaid expenses	(451)	179
Accounts payable and accrued charges	(13,284)	8,248
Amounts due to		
Ministry of Health and Long-Term Care/Local Health		
Integration Network	5,645	2,421
Cancer Care Ontario	766	(91)
	(4,393)	7,573

Decreases in assets and increases in liabilities are sources of funds. Increases in assets and decreases in liabilities are uses of funds (indicated by brackets).

15. Bank indebtedness

The Health Centre has the following credit facilities available with the Bank of Montreal:

- (a) Revolving line of credit to a maximum authorized amount of \$15,000.
- (b) Multi-draw term loan to a maximum authorized amount of \$15,000.
- (c) Multi-draw term loan to a maximum authorized amount of \$50,000.

All of the above facilities bear interest at prime less 0.25% and are undrawn as at March 31, 2014 (2013 – prime less 0.25% and undrawn). These facilities are unsecured and are due on demand.

16. Contingencies

During the normal course of operations, various proceedings and claims are filed against the Health Centre. In management's opinion, insurance coverage is sufficient to offset the cost of unfavourable settlements, if any, which may result from such claims and therefore would not have a material effect on the financial position or future results of operations of the Health Centre.

17. Central Ontario Healthcare Procurement Alliance ("COHPA")

Effective March 26, 2008, the Health Centre entered into an agreement with COHPA, an independent non-profit corporation, the members of which consist of six hospitals, including the Health Centre.

COHPA's primary responsibility is to provide centralized purchasing, logistics, inventory management and accounts payable capabilities to its members on a cost-recovery basis. Based on the agreement, COHPA has the right to charge membership fees to its members. During the year the Health Centre expensed membership fees to COHPA in the amount of \$1,591 (2013 - \$984).

As at March 31, 2014, in accordance with the terms of the agreement, the Health Centre has provided a proportionate guarantee of \$495 on COHPA's \$3,212 term loan. The Health Centre has included \$86 (2013 - \$213) in accounts payable related to this guarantee as at March 31, 2014, representing its approximate 15% share. As at March 31, 2014, the outstanding balance on this term loan is \$415 (2013 - \$1,338).

Royal Victoria Regional Health Centre

Notes to the Financial Statements

March 31, 2014

(In thousands of dollars)

18. Ministry of Health and Long-Term Care ("MOHLTC")/physician agreements

Alternative funding agreement

The Health Centre has an agreement with the Emergency Doctors and the MOHLTC for alternative funding for emergency services. The revenues and expenses included in the statement of operations are as follows:

	2014	2013
	\$	\$
Funding from MOHLTC	7,744	6,634
Other revenue	169	178
Total revenues	7,913	6,812
Payments to physicians	7,863	6,752
Administration	50	50
Total expenses	7,913	6,812
	-	-

Physician on call coverage

The Health Centre has an agreement with the MOHLTC for Physician on Call Coverage. The revenues and expenses included in the statement of operations are as follows:

	2014	2013
	\$	\$
Funding from MOHLTC - current year	3,092	3,078
Payments to physicians	3,092	3,078
Total expenses	-	-

19. Ministry funding/economic dependence

The Health Centre received 74% (2013 - 71%) of its revenue from the MOHLTC/North Simcoe Muskoka Local Health Integration Network.

20. Financial instruments and risk management

Establishing fair value

The carrying value of cash, short term investments, due to/from MOHLTC, due to/from CCO, due from Royal Victoria Hospital Foundation, accounts receivable, grants receivable, accounts payable and accrued charges, approximates their fair value because of the relatively short period to maturity of the instruments.

Credit risk

Credit risk relates to the potential for financial loss due to one party to a financial instrument will fail to discharge an obligation. The Health Centre is exposed to credit risk on its accounts receivable.

Interest rate risk

Interest rate risk relates to the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates.