

Financial Statements of

**QUINTE HEALTH CARE  
CORPORATION**

Year ended March 31, 2014

# QUINTE HEALTH CARE CORPORATION

## Financial Statements

Year ended March 31, 2014

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## **INDEPENDENT AUDITORS' REPORT**

To the Directors of Quinte Health Care Corporation

We have audited the accompanying financial statements of Quinte Health Care Corporation, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Quinte Health Care Corporation as at March 31, 2014, its results of operations, changes in net assets, its cash flows and the 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

June 24, 2014

Kingston, Canada

# QUINTE HEALTH CARE CORPORATION

## Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash	\$ 21,141,151	\$ 18,491,290
Accounts receivable (note 2)	8,154,698	9,913,472
Inventories (note 3)	2,064,709	2,323,453
Prepaid expenses	486,909	662,516
	<u>31,847,467</u>	<u>31,390,731</u>
Capital assets (note 4)	200,978,226	189,717,387
	<u>\$ 232,825,693</u>	<u>\$ 221,108,118</u>

## Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 37,793,575	\$ 39,051,679
Long-term debt:		
Mortgages payable (note 6)	180,269	192,123
Capital lease payable (note 7)	2,949,770	524,585
	<u>3,130,039</u>	<u>716,708</u>
Employee future benefit liabilities (note 8)	8,170,500	8,218,400
Deferred capital contributions (note 9)	183,169,475	170,887,274
Net assets:		
Invested in capital assets (note 10(a))	19,300,222	23,715,171
Restricted for endowments (note 11)	290,940	290,940
Unrestricted deficiency	(19,029,058)	(21,772,054)
	<u>562,104</u>	<u>2,234,057</u>
Contingencies (note 12)		
Commitments (note 18)		
	<u>\$ 232,825,693</u>	<u>\$ 221,108,118</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# QUINTE HEALTH CARE CORPORATION

## Statement of Operations

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

	2014	2013
<b>Revenue:</b>		
Ministry of Health and Long-Term Care and South East Local Health Integration Network (note 13)	\$ 162,354,928	\$ 162,334,877
Patient revenue	16,802,386	16,735,840
Marketed services	2,185,619	2,236,980
Recoveries and other revenue	3,320,268	5,588,402
Investment income	130,680	96,114
Other Ministry programs	4,977,534	4,969,073
Amortization of deferred capital contributions	3,300,184	3,932,877
	<u>193,071,599</u>	<u>195,894,163</u>
<b>Expenses:</b>		
Compensation - salaries	93,310,155	95,819,479
Compensation - benefits	23,934,210	23,819,885
Medical staff remuneration	22,818,532	22,717,252
Medical and surgical supplies	9,111,993	10,461,297
Drugs and medicine	5,454,136	5,250,067
Supplies and other expenses	26,920,767	25,573,390
Other Ministry programs	4,977,534	4,969,073
Employee future benefits (note 8)	431,200	415,600
Amortization of capital assets - equipment	6,010,827	6,705,243
	<u>192,969,354</u>	<u>195,731,286</u>
Excess of revenue over expenses before undernoted	102,245	162,877
Amortization of deferred capital grants/donations for buildings and improvements	4,206,507	4,285,989
Amortization of capital assets - buildings and improvements	(5,980,705)	(5,624,810)
	<u>(1,774,198)</u>	<u>(1,338,821)</u>
Excess of expenses over revenue	\$ (1,671,953)	\$ (1,175,944)

See accompanying notes to financial statements.

# QUINTE HEALTH CARE CORPORATION

## Statement of Changes in Net Assets

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

	Invested in capital assets	Restricted for endowments	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	\$ 23,715,171	\$ 290,940	\$ (21,772,054)	\$ 2,234,057	\$ 3,410,001
Excess of revenue over expenses (expenses over revenue) (note 10(b))	(4,484,841)	—	2,812,888	(1,671,953)	(1,175,944)
Net change in investment in capital assets (note 10(b))	69,892	—	(69,892)	—	—
Balance, end of year	\$ 19,300,222	\$ 290,940	\$ (19,029,058)	\$ 562,104	\$ 2,234,057

See accompanying notes to financial statements.

# QUINTE HEALTH CARE CORPORATION

## Statement of Cash Flows

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

	2014	2013
<b>Operations:</b>		
Excess of expenses over revenue	\$ (1,671,953)	\$ (1,175,944)
Items not involving cash:		
Amortization of capital assets	11,991,532	12,330,053
Amortization of deferred capital contributions	(7,506,691)	(8,218,866)
Change in non-cash working capital (note 14)	935,021	(2,174,646)
Net decrease in employee future benefits (note 8)	(47,900)	(38,300)
	<u>3,700,009</u>	<u>722,297</u>
<b>Capital activities:</b>		
Purchase of capital assets	(23,252,371)	(29,524,562)
Deferred capital contributions received	19,788,892	21,526,440
	<u>(3,463,479)</u>	<u>(7,998,122)</u>
<b>Financing activities:</b>		
Increase (decrease) in long-term debt	2,413,331	(233,948)
	<u>2,649,861</u>	<u>(7,509,773)</u>
Increase (decrease) in cash during the year		
Cash, beginning of year	18,491,290	26,001,063
Cash, end of year	<u>\$ 21,141,151</u>	<u>\$ 18,491,290</u>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 30,127	\$ 37,054
Interest received	165,640	144,055

See accompanying notes to financial statements.



# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements

Year ended March 31, 2014

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The Quinte Health Care Corporation (the "Corporation") is an integrated system of four hospitals – QHC Belleville General Hospital, QHC North Hastings Hospital, QHC Prince Edward County Memorial Hospital and QHC Trenton Memorial Hospital – providing care to the residents of Hastings and Prince Edward Counties and the southeast portion of Northumberland County.

The Corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

Under the Health Insurances Act and Regulations thereto, the Corporation is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health and Long-Term Care (the "Ministry") / Local Health Integration Network ("LHIN"). The financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2014. The Corporation has entered into an accountability agreement with the South East LHIN which requires that the Corporation meet certain financial and non-financial performance indicators.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

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

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (a) Revenue recognition (continued):

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 at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

### (b) Inventories:

Inventories are valued at the lower of cost on a first-in, first-out basis, and replacement cost.

### (c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital lease are initially recorded at the present value of future minimum lease payments and are amortized over the life of the assets. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses, while betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to operations in the year of disposition.

Projects in progress are amortized when they are considered substantially complete and are ready for use by the Corporation.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	10%
Buildings	2.5% - 20%
Furniture and equipment	5% - 33%

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (e) Use of estimates:

The preparation of the 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include the carrying amount of capital assets, and obligations related to employee future benefits. Actual results could differ from those estimates.

### (f) Employee future benefit liabilities:

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

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in 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 employee benefit plan is 14 years (2013 - 14 years).

The Corporation is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Corporation has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multi-employer defined benefit plan are expensed when due.

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry financial instruments at fair value.

Long-term debt is recorded at cost.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 1. Significant accounting policies (continued):

(h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there is no significant unrealized gains or losses at March 31, 2014.

## 2. Accounts receivable:

	2014	2013
Provincial Ministry of Health	\$ 2,184,589	\$ 2,586,499
OHIP	1,119,912	1,058,097
Harmonized sales tax	1,167,203	806,064
Due from foundations	1,898,678	3,731,846
Other	2,162,316	2,107,966
	<u>8,532,698</u>	<u>10,290,472</u>
Less: allowance for doubtful accounts	(378,000)	(377,000)
	<u>\$ 8,154,698</u>	<u>\$ 9,913,472</u>

## 3. Inventories:

	2014	2013
Main	\$ 946,634	\$ 1,174,641
Pandemic	347,369	344,812
Pharmacy	683,943	699,598
Food	86,763	104,402
	<u>\$ 2,064,709</u>	<u>\$ 2,323,453</u>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 4. Capital assets:

Capital assets are comprised of the following items:

	Cost	Accumulated amortization	2014 Total	2013 Total
Land	\$ 1,070,474	\$ —	\$ 1,070,474	\$ 1,070,474
Land improvements	1,168,174	1,151,111	17,063	17,405
Buildings	194,514,717	69,830,281	124,684,436	125,558,722
Furniture and equipment	125,328,002	104,898,494	20,429,508	21,168,858
Projects in progress	54,776,745	—	54,776,745	41,901,928
	<b>\$ 376,858,112</b>	<b>\$ 175,879,886</b>	<b>\$ 200,978,226</b>	<b>\$ 189,717,387</b>

During the year, the Corporation wrote-off capital assets in the amount of \$1,889,421 (2013 - \$1,118,895) and accumulated amortization of capital assets in the amount of \$1,811,622 (2013 - \$1,118,853). This write-off was the result of removing capital assets which had been disposed of or had no further useful life. The difference amounting to \$77,799 (2013 - \$42) was reflected in amortization of capital assets. The write-off for 2014 includes the demolition of the Cavell Building.

Cost and accumulated amortization of capital assets at March 31, 2013 amounted to \$355,494,098 and \$165,776,711.

## 5. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accruals	\$ 25,179,718	\$ 23,872,974
Accrued salaries and wages	4,840,484	5,347,062
Accrued vacation pay	7,324,537	7,142,864
Current portion of long-term debt	448,836	2,688,779
	<b>\$ 37,793,575</b>	<b>\$ 39,051,679</b>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 6. Mortgages payable:

The mortgages are unsecured and were used to finance the purchase of two residential properties as a possible contingency strategy for future parking requirements.

	2014	2013
Mortgage bearing interest at 4.05% per annum, repayable in blended monthly instalments of \$839 until maturity on April 2, 2015	\$ 102,622	\$ 108,406
Mortgage bearing interest at 4.14% per annum, repayable in blended monthly instalments of \$786 until maturity on May 1, 2015	89,501	95,096
	192,123	203,502
Less current portion	11,854	11,379
	\$ 180,269	\$ 192,123

Future principal repayments over the next two years are approximately as follows: 2015 - \$11,854; and 2016 - \$180,269.

## 7. Capital leases payable:

	2014	2013
Capital lease on equipment (main core IT switch) bearing interest at 0% per annum repayable principal only in monthly instalments of \$7,470 until maturity on December 1, 2015	\$ 156,871	\$ 246,512
Capital lease on equipment (Belleville parking system) bearing interest at 5.0% per annum repayable in blended monthly instalments of \$8,018 until maturity on September 30, 2016	225,664	308,336
Capital lease on equipment (Trenton parking system) bearing interest at 5.0% per annum repayable in blended monthly instalments of \$4,894 until maturity on October 31, 2016	142,051	192,306
Capital lease on equipment (energy and facility renewal upgrade) bearing interest at 3.34% per annum repayable in blended monthly instalments of \$25,562 until maturity on March 28, 2021	2,862,167	-
	3,386,753	747,154
Less current portion	436,983	222,569
	\$ 2,949,770	\$ 524,585

Future principal repayments over the next four years are approximately as follows: 2015 - \$436,983; 2016 - \$404,931; 2017 - \$278,402 and 2018 - \$203,986.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 8. Employee future benefits:

The Corporation provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at April 1, 2012.

At March 31, 2014, the Corporation's accrued benefit liabilities relating to post-retirement and post-employment benefit plans is \$8,170,500 (2013 - \$8,218,400).

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

Discount rate for calculation of Fiscal 2014 Net Benefit Cost	4%
Discount rate for calculation of March 31, 2014 disclosures	3.75%
Dental benefits escalation	4%
Health benefits escalation	5%

Information with respect to the Corporation's post-retirement and post-employment benefit liabilities is as follows:

	2014	2013
Accrued benefit liabilities, beginning of year	\$ 8,218,400	\$ 8,256,700
Current service costs	307,600	295,800
Interest on accrued benefit obligation	258,800	255,000
Benefits paid for the period	(479,100)	(453,900)
Amortization of actuarial gain	(135,200)	(135,200)
<b>Accrued benefit liabilities, end of year</b>	<b>\$ 8,170,500</b>	<b>\$ 8,218,400</b>

Accrued benefit liabilities at March 31, include the following components:

	2014	2013
Accrued benefit obligation	\$ 6,665,600	\$ 6,403,000
Unamortized experience gains	1,504,900	1,815,400
<b>Accrued benefit liability</b>	<b>\$ 8,170,500</b>	<b>\$ 8,218,400</b>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 9. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized and unspent balances of donations and grants received for capital assets acquisitions. Details of the continuity of these funds are as follows:

	2014	2013
Balance - beginning of year	\$ 170,887,274	\$ 157,579,700
Additional contributions received	19,788,892	21,526,440
	190,676,166	179,106,140
Less: amounts amortized to revenue	(7,506,691)	(8,218,866)
Balance, end of year	\$ 183,169,475	\$ 170,887,274

The balance of unamortized and unspent funds consists of the following:

	2014	2013
Unamortized capital contributions used to purchase assets	\$ 178,547,965	\$ 165,285,509
Unspent contributions	4,621,510	5,601,765
	\$ 183,169,475	\$ 170,887,274

## 10. Invested in capital assets:

(a) The investment in capital assets is calculated as follows

	2014	2013
Capital assets	\$ 200,978,226	\$ 189,717,387
Amounts financed by:		
Deferred contributions	(178,547,965)	(165,285,508)
Long-term debt	(3,130,039)	(716,708)
	\$ 19,300,222	\$ 23,715,171



# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 10. Invested in capital assets (continued):

(b) The change in investment in capital assets is calculated as follows:

	2014	2013
Excess of expenses over revenue:		
Amortization of capital assets	\$ (11,991,532)	\$ (12,330,053)
Amortization of deferred capital contributions	7,506,691	8,218,866
	<u>\$ (4,484,841)</u>	<u>\$ (4,111,187)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 23,252,371	\$ 29,524,562
Amounts funded by deferred contributions	(20,769,148)	(24,527,691)
Amounts funded by long-term debt	(2,413,331)	233,948
	<u>\$ 69,892</u>	<u>\$ 5,230,819</u>

## 11. Restrictions on net assets:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on the assets is unrestricted.

## 12. Contingencies:

- (a) The Corporation has received funding from the Ministry and South East LHIN for specific services which are subject to annual final reviews and approval. Pursuant to the related agreements, if the Corporation does not meet specified levels of activity, the Ministry and South East LHIN are entitled to recover funds. Any adjustments resulting from the reviews will be reflected in the year of Ministry approval as an adjustment to revenue on the "Statement of Operations".
- (b) The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2014, management believes that the Corporation has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 13. Ministry of Health and Long-term Care and South East LHIN Funding:

Included in Ministry of Health and Long-Term Care and South East LHIN revenue is funding for Hospital On-Call coverage totaling \$3,031,011 (2013 - \$2,756,063) and funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2014 of \$9,701,323 (2013 - \$9,711,063).

## 14. Change in non-cash operating working capital:

	2014	2013
Accounts receivable	\$ 1,758,774	\$ (4,543,675)
Inventories	258,744	299,409
Prepaid expenses	175,607	(108,065)
Accounts payable and accrued liabilities	(1,258,104)	2,177,685
	<u>\$ 935,021</u>	<u>\$ (2,174,646)</u>

## 15. Credit facilities:

The Corporation has an available operating line of credit facility of \$10,000,000 which was not drawn on during the year. The unsecured, operating line is due on demand and bears interest at the bank prime rate less 0.75%. It also has \$4,000,000 of available non-revolving term facility by way of fixed rate term loans at a fixed rate of interest that will be determined at the time of borrowing. Any unused portion of the \$4,000,000 in non-revolving facilities may be cancelled by the bank without notice.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 16. Pension plan:

Substantially all of the employees of the Corporation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Corporation on behalf of its employees amounted to \$7,644,742 (2013 - \$7,560,605) and are recorded in the "Statement of Operations". The Healthcare of Ontario Pension Plan's most recent annual report states that the plan has a regulatory surplus of \$5.702 billion as of December 31, 2013.

## 17. Related party transactions:

- (a) The Belleville General Hospital Foundation Inc., Trenton Memorial Hospital Foundation, Prince Edward County Memorial Hospital Foundation, North Hastings Fund Development Committee and Tri-County Healthcare Foundation:

The Corporation has an economic interest in the above five foundations. These foundations' principal activity is to collect and maintain funds to be used substantially for building, equipment purchases, and special program costs for Quinte Health Care Corporation.

The Corporation recognized the following contributions from their foundations to fund building and equipment purchases:

	Equipment		Building	
	2014	2013	2014	2013
The Belleville General Hospital Foundation Inc.	\$ 1,860,508	\$ 1,158,660	\$ 5,044,501	\$ 6,081,740
Trenton Memorial Hospital Foundation	654,374	641,139	—	337,353
Prince Edward County Memorial Hospital Foundation	197,546	497,562	—	124,373
North Hastings Fund Development Committee	52,018	748,737	—	—
Tri-County Healthcare Foundation	350,000	250,000	—	—
	<u>\$ 3,114,446</u>	<u>\$ 3,296,098</u>	<u>\$ 5,044,501</u>	<u>\$ 6,543,466</u>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 17. Related party transactions (continued):

- (b) Belleville General Hospital Auxiliary, Trenton Memorial Hospital Auxiliary, Prince Edward County Memorial Hospital Auxiliary Incorporated, and The North Hastings District Hospital Auxiliary:

The Corporation has an economic interest in the auxiliaries. Quinte Health Care Corporation auxiliaries promote and extend the interests of the Corporation throughout the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County. They provide volunteer auxiliary services as requested by the Corporation through liaison with the Director of Volunteers and the Director of Communications of the organization. The auxiliaries also raise funds for the Corporation to be allocated to special gifts in a manner satisfactory to the administration of the Corporation and in harmony with the planning of the community. Quinte Health Care Corporation Auxiliaries supported the Corporation through donations to fund equipment purchases and special program costs.

- (c) Shared Support Services South Eastern Ontario:

The Corporation is a member of a group of seven hospitals within the South East Local Health Integration Network which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project has received start-up funding from the Ministry of Finance.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Corporation has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Corporation incurred cost of \$1,519,857 (2013 - \$1,218,401) to 3SO for governance/operating costs. These costs are included in supplies and other expenses on the Statement of Operations.

The Corporation has signed a ten-year commitment to the project and has provided a limited guarantee to a maximum of \$777,000 of a \$5,000,000 line of credit secured by 3SO, representing the Corporation's proportionate share of 15.54%. As at March 31, 2014, 3SO has drawn \$1,340,000 (2013 - \$1,890,000) on this line of credit, of which the Corporation guarantees \$208,236 (2013 - \$293,706).

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 17. Related party transactions (continued):

### (d) Shared Digital Imaging Infrastructure Program:

Quinte Health Care Corporation is a member of a group of twenty-three hospitals which have voluntarily agreed to enter into a joint project for the purpose of planning, development, implementation and operation of a shared digital diagnostic imaging infrastructure project that will enable timely access to diagnostic imaging information and services and result in improved health status and quality outcomes for patients. A non-profit organization, Hospitals Diagnostic Imaging Repository System (HDIRS), has been created to manage and provide oversight to the project. Each of the twenty-three hospitals is a voting member of HDIRS and has two elected board governors from each of the four geographic areas that are represented by the group of hospitals. Project costs to date have been shared with the Ministry of Health and Long-Term Care and Canada Health Infoway. Ongoing operating costs are supplemented by funding from eHealth Ontario.

## 18. Commitments:

### Belleville General Hospital Redevelopment:

Quinte Health Care Corporation has contracted for the Phase 2 expansion and redevelopment of the Belleville General Hospital site. The project constructed a new addition to accommodate the relocation of the Emergency Department and the Laboratory. In addition, there have been renovations to ambulatory and inpatient space to address long-term program needs in Oncology, Cardiology, Perioperative and Mental Health. The project commenced in February 2011 and is anticipated to be completed in July 2014. The project has been jointly funded by the Ministry of Health and Long-Term Care and the Belleville General Hospital Foundation.

## 19. Capital management:

The Corporation's objectives with respect to capital management are to maintain a minimum capital base that allows the Corporation to continue with and execute its overall purpose as outlined in these notes, and to meet its requirements as outlined in the Hospital Service Accountability Agreement with the South East Local Health Integration Network. The Corporation's Board of Directors perform periodic reviews of the Corporation's capital needs to ensure that they remain consistent with the risk tolerance that is acceptable to the Corporation.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 20. 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 Corporation is exposed to credit risk with respect to the accounts receivable and cash.

The Corporation 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 Corporation at March 31, 2014 is the carrying value of these assets.

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 statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2014 is \$378,000 (2013 - \$377,000).

As at March 31, 2014, \$627,832 (2013 - \$682,395) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2013.

### (b) Liquidity risk:

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

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2013.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 20. Financial risks and concentration of credit risk (continued):

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

### Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk. The Corporation is exposed to this risk through its interest bearing debenture payable.

There has been no change to the interest rate risk exposure from 2013.