

Financial Statements of

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**QUINTE HEALTH CARE  
CORPORATION**

Year ended March 31, 2012

# QUINTE HEALTH CARE CORPORATION

## Financial Statements

Year ended March 31, 2012

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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, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Quinte Health Care Corporation as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 26, 2012

Kingston, Canada

# QUINTE HEALTH CARE CORPORATION

## Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash	\$ 26,001,063	\$ 33,410,743
Accounts receivable (note 2)	5,369,797	8,124,384
Inventories (note 3)	2,622,862	2,667,685
Prepaid expenses	554,451	735,205
	<u>34,548,173</u>	<u>44,938,017</u>
Capital assets (note 4)	172,522,878	159,067,606
	<u>\$ 207,071,051</u>	<u>\$ 204,005,623</u>

## Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 36,873,994	\$ 41,060,741
Long-term debt:		
Mortgages payable (note 6)	203,502	214,425
Capital lease payable (note 7)	747,154	336,152
	<u>950,656</u>	<u>550,577</u>
Employee future benefit liabilities (note 8)	5,361,300	4,892,100
Deferred capital contributions (note 9)	157,579,700	152,157,925
Net assets:		
Invested in capital assets (note 10(a))	22,595,539	20,501,332
Restricted for endowments (note 11)	290,940	290,940
Unrestricted deficiency	(16,581,078)	(15,447,992)
	<u>6,305,401</u>	<u>5,344,280</u>
Contingencies (note 12)		
Commitments (note 18)		
	<u>\$ 207,071,051</u>	<u>\$ 204,005,623</u>

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See accompanying notes to financial statements.

# QUINTE HEALTH CARE CORPORATION

## Statement of Operations

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

	2012	2011
<b>Revenue:</b>		
Ministry of Health and Long-Term Care and South East Local Health Integration Network (note 13)	\$ 154,069,130	\$ 146,430,745
Patient revenue	26,362,711	24,673,320
Marketed services	1,721,534	2,490,150
Recoveries and other revenue	3,814,400	2,745,768
Investment income	187,605	125,676
Other Ministry programs	5,003,544	4,556,880
Amortization of deferred capital contributions	3,863,901	4,401,210
	<u>195,022,825</u>	<u>185,423,749</u>
<b>Expenses:</b>		
Compensation - salaries	90,268,830	89,243,801
Compensation - benefits	22,833,352	21,201,410
Medical staff remuneration	23,050,492	20,527,419
Medical and surgical supplies	11,032,097	9,451,311
Drugs and medicine	5,320,798	5,601,608
Supplies and other expenses	27,700,991	24,770,381
Other Ministry programs	5,003,544	4,556,880
Employee future benefits (note 8)	909,000	576,700
Amortization of capital assets - equipment	6,587,762	6,960,705
	<u>192,706,866</u>	<u>182,890,215</u>
Excess of revenue over expenses before undernoted	2,315,959	2,533,534
Amortization of deferred capital grants/donations for buildings and improvements	3,862,887	3,913,905
Amortization of capital assets - buildings and improvements	(5,217,725)	(5,073,042)
	<u>(1,354,838)</u>	<u>(1,159,137)</u>
Excess of revenue over expenses	<u>\$ 961,121</u>	<u>\$ 1,374,397</u>

See accompanying notes to financial statements.

# QUINTE HEALTH CARE CORPORATION

## Statement of Changes in Net Assets

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

	Invested in capital assets	Restricted for endowments	Unrestricted	2012	2011
Balance, beginning of year	\$ 20,501,332	\$ 290,940	\$ (15,447,992)	\$ 5,344,280	\$ 3,969,883
Excess of revenue over expenses (expenses over revenue) (note 10(b))	(4,078,699)	—	5,039,820	961,121	1,374,397
Net change in investment in capital assets (note 10(b))	6,172,906	—	(6,172,906)	—	—
Balance, end of year	\$ 22,595,539	\$ 290,940	\$ (16,581,078)	\$ 6,305,401	\$ 5,344,280

See accompanying notes to financial statements.

# QUINTE HEALTH CARE CORPORATION

## Statement of Cash Flows

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

	2012	2011
Operations:		
Excess of revenue over expenses	\$ 961,121	\$ 1,374,397
Items not involving cash:		
Amortization of capital assets	11,805,487	12,033,747
Amortization of deferred capital contributions	(7,726,788)	(8,315,115)
Change in non-cash working capital (note 14)	(1,206,583)	7,471,555
Net increase in employee future benefits (note 8)	469,200	191,800
	<u>4,302,437</u>	<u>12,756,384</u>
Financing activities:		
Deferred capital contributions received	13,148,563	19,872,885
Increase in long-term debt	400,079	325,665
	<u>13,548,642</u>	<u>20,198,550</u>
Investing activities:		
Purchase of capital assets	(25,260,759)	(16,414,205)
	<u>(7,409,680)</u>	<u>16,540,729</u>
Increase (decrease) in cash during the year		
Cash, beginning of year	33,410,743	16,870,014
	<u>\$ 26,001,063</u>	<u>\$ 33,410,743</u>
Cash, end of year		
Supplemental cash flow information:		
Interest paid	\$ 24,591	\$ 10,153
Interest received	276,549	161,567

See accompanying notes to financial statements.



# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements

Year ended March 31, 2012

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The Quinte Health Care Corporation (the "Corporation") was established on November 26, 1998 under the authority of the Health Services Restructuring Commission as part of the Savings and Restructuring Act, 1996. The Quinte Health Care Corporation is the amalgamated corporation resulting from the amalgamation of the following predecessor corporations:

- (a) Belleville General Hospital (including the North Hastings District Hospital)
- (b) Trenton Memorial Hospital
- (c) Prince Edward County Memorial Hospital

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

The function of the Corporation is the provision of quality primary and secondary healthcare services to the residents of the City of Belleville, City of Quinte West, Counties of Hastings and Prince Edward and a portion of Northumberland County.

Under the Health Insurance 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, 2012. 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 generally accepted accounting principles. The more significant accounting policies are summarized as follows:

### (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, 2012

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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 and net realizable value.

### (c) Capital assets:

Purchased capital assets are recorded at cost. 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%

### (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.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 1. Significant accounting policies (continued):

### (e) Use of estimates:

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

### (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) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the accrued benefit obligation is 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 13 years (2011 – 13 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.

## 2. Accounts receivable:

	2012	2011
Provincial Ministry of Health	\$ 816,065	\$ 920,733
OHIP	1,354,609	1,510,049
Harmonized sales tax	888,580	1,118,590
Due from foundations	552,972	2,417,635
Other	1,985,571	2,385,377
	5,597,797	8,352,384
Less: allowance for doubtful accounts	(228,000)	(228,000)
	\$ 5,369,797	\$ 8,124,384

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

### 3. Inventories:

	2012	2011
Main	\$ 1,455,076	\$ 1,568,249
Pandemic	378,015	364,852
Pharmacy	689,878	662,796
Food	99,893	71,788
	<u>\$ 2,622,862</u>	<u>\$ 2,667,685</u>

### 4. Capital assets:

	Cost	Accumulated amortization	2012	2011
Land	\$ 1,070,474	\$ —	\$ 1,070,474	\$ 1,118,270
Land improvements	1,168,174	1,149,743	18,431	19,780
Buildings	178,288,014	55,232,749	123,055,265	128,167,111
Furniture and equipment	100,138,186	78,385,340	21,752,846	22,881,765
Projects in progress	26,625,862	—	26,625,862	6,880,680
	<u>\$ 307,290,710</u>	<u>\$ 134,767,832</u>	<u>\$ 172,522,878</u>	<u>\$ 159,067,606</u>

During the year, the Corporation wrote-off capital assets in the amount of \$2,110,410 (2011 - \$3,357,479) and accumulated amortization of capital assets in the amount of \$2,212,330 (2011 - \$3,208,648). 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 \$101,920 (2011 - \$148,831) was reflected in amortization of capital assets.

Cost and accumulated amortization of capital assets at March 31, 2011 amounted to \$284,190,053 and \$125,122,447 respectively.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 5. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accruals	\$ 24,811,665	\$ 26,470,697
Accrued salaries and wages	4,278,890	7,880,641
Accrued vacation pay	6,923,396	6,609,276
Current portion of long-term debt	860,043	100,127
	<u>\$ 36,873,994</u>	<u>\$ 41,060,741</u>

## 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.

	2012	2011
Mortgage bearing interest at 4.05% per annum, repayable in blended monthly instalments of \$839 until maturity on April 2, 2015	\$ 113,962	\$ 119,297
Mortgage bearing interest at 4.14% per annum, repayable in blended monthly instalments of \$786 until maturity on May 1, 2015	100,464	105,614
	<u>214,426</u>	<u>224,911</u>
Less current portion	10,924	10,486
	<u>\$ 203,502</u>	<u>\$ 214,425</u>

Future principal repayments over the next four years are approximately as follows: 2013 - \$10,924; 2014 - \$11,380; 2015 - \$11,855; and 2016 - \$180,267.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 7. Capital leases payable:

	2012	2011
Capital lease on equipment (main core IT switch) bearing interest at 0% per annum repayable in blended monthly instalments of \$7,470 until maturity on December 1, 2015	\$ 336,152	\$ 425,793
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	386,986	-
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	240,116	-
	963,254	425,793
Less current portion	216,100	89,641
	\$ 747,154	\$ 336,152

Future principal repayments over the next five years are approximately as follows: 2013 - \$216,100; 2014 - \$222,569; 2015 - \$229,371; 2016 - \$214,108; and 2017 - \$81,106.

## 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 March 31, 2012.

At March 31, 2012, the Corporation's accrued benefit liabilities relating to post-retirement and post-employment benefit plans is \$5,361,300 (2011 - \$4,892,100).

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

Discount rate for calculation of Fiscal 2012 Net Benefit Cost	5.0%
Discount rate for calculation of March 31, 2012 disclosures	4.0%
Dental benefits escalation	4.0%
Health benefits escalation	5.0%

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 8. Employee future benefits (continued):

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

	2012	2011
Accrued benefit liabilities, beginning of year	\$ 4,892,100	\$ 4,700,300
Current service costs	249,900	141,800
Interest on accrued benefit obligation	409,600	305,300
Benefits paid for the period	(439,800)	(384,900)
Amortization of actuarial loss	230,500	112,800
Adjustment for experience gains/losses	19,000	16,800
	<u>\$ 5,361,300</u>	<u>\$ 4,892,100</u>

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

	2012	2011
Accrued benefit obligation	\$ 9,519,000	\$ 5,966,000
Unamortized prior service costs	(1,975,900)	(11,000)
Unamortized experience losses	(2,181,800)	(1,062,900)
Accrued benefit liability	<u>\$ 5,361,300</u>	<u>\$ 4,892,100</u>

## 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:

	2012	2011
Balance - beginning of year	\$ 152,157,925	\$ 140,600,155
Additional contributions received	13,148,563	19,872,885
	<u>165,306,488</u>	<u>160,473,040</u>
Less: amounts amortized to revenue	(7,726,788)	(8,315,115)
Balance, end of year	<u>\$ 157,579,700</u>	<u>\$ 152,157,925</u>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 9. Deferred capital contributions (continued):

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

	2012	2011
Unamortized capital contributions used to purchase assets	\$ 148,976,684	\$ 138,015,698
Unspent contributions	8,603,016	14,142,227
	<u>\$ 157,579,700</u>	<u>\$ 152,157,925</u>

## 10. Invested in capital assets:

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

	2012	2011
Capital assets	\$ 172,522,878	\$ 159,067,606
Amounts financed by:		
Deferred contributions	(148,976,684)	(138,015,698)
Long-term debt	(950,656)	(550,577)
	<u>\$ 22,595,538</u>	<u>\$ 20,501,331</u>

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

	2012	2011
Excess of expenses over revenue:		
Amortization of capital assets	\$ (11,805,487)	\$ (12,033,747)
Amortization of deferred capital contributions	7,726,788	8,315,115
	<u>\$ (4,078,699)</u>	<u>\$ (3,718,632)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 25,260,759	\$ 16,414,205
Amounts funded by deferred contributions	(18,687,774)	(11,357,898)
Amounts funded by long-term debt	(400,079)	(325,665)
	<u>\$ 6,172,906</u>	<u>\$ 4,730,642</u>



# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 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, 2012, 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.

## 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 totalling \$2,597,664 (2011 - \$2,463,781). Included in patient services revenue is funding for the Alternative Funding Plan for emergency services for the year ended March 31, 2012 for \$9,231,201 (2011 - \$8,530,902).

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

	2012	2011
Short-term investments	\$ —	\$ 2,224,475
Accounts receivable	2,754,587	(1,464,075)
Inventories	44,823	(472,494)
Prepaid expenses	180,754	104,684
Accounts payable and accrued liabilities	(4,186,747)	7,078,965
	\$ (1,206,583)	\$ 7,471,555

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 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.

## 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 \$7,521,227 (2011 - \$6,897,269) 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 \$976 million as of December 31, 2011.

## 17. Related party transactions:

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

The Corporation has an economic interest in the above four 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 Healthcare Corporation.

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

	Equipment		Building	
	2012	2011	2012	2011
The Belleville General Hospital Foundation Inc.	\$ 1,066,925	\$ 2,188,703	\$ 283,671	\$ 61,149
Trenton Memorial Hospital Foundation	467,381	2,281,939	250,000	-
Prince Edward County Memorial Hospital Foundation	277,933	226,098	-	8,453
Tri-County Healthcare Foundation	525,000	1,225,000	-	-
	<u>\$ 2,337,239</u>	<u>\$ 5,921,740</u>	<u>\$ 533,671</u>	<u>\$ 69,602</u>

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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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 Healthcare 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 Vice-President, Human Resources 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 Healthcare Corporation Auxiliaries supported the Corporation through donations to the Tri-County Healthcare Foundation and the foundations in Belleville, Trenton and Picton 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 with 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. The four-year project implementation period commenced with the signing of a transfer payment agreement in March 2008 and is targeted for completion by 2012.

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 \$1,156,446 (2011 - \$794,617) 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, 2012, 3SO has drawn \$3,505,106 (2011 - \$3,810,000) on this line of credit, of which the Corporation guarantees \$544,694 (2011 - \$592,074).

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 17. Related party transactions (continued):

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

Quinte Healthcare 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:

### (a) Belleville General Hospital Redevelopment:

Quinte Healthcare Corporation has contracted for the Phase 2 expansion and redevelopment of the Belleville General Hospital site. The project will construct a new addition to accommodate the relocation of the Emergency Department and the Laboratory. In addition, there are planned renovations of ambulatory and inpatient space to address long-term program needs in Oncology, Cardiology, Perioperative and Mental Health. The project commenced in February 2011 and will require approximately 36 months to complete. The project will be jointly funded by the Ministry of Health and Long-Term Care and Belleville General Hospital Foundation.

### (b) Honeywell Energy and Facility Renewal Project:

Quinte Health Care Corporation will enter into a comprehensive services agreement with Honeywell for energy and facility renewal upgrades to a maximum capital cost of \$2.813M. To support the capital investment for this project, QHC has entered into a seven year lease with RBC to the above maximum at a fixed rate of interest with a purchase option to pay out the balance at the end of year seven or refinance the remaining balance over a three year period at a rate to be negotiated at that time.

# QUINTE HEALTH CARE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## **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.

## **20. Financial instruments:**

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and mortgages payable. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments. It is management's opinion that the Quinte Healthcare Corporation is not subject to significant market, currency or equity risk related to its financial instruments.

### **Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due. The Corporation mitigates this risk by monitoring cash activities and expected outflows.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.