Financial statements of

Lakeridge Health

March 31, 2013 and March 31, 2012

Lakeridge Health

March 31, 2013 and March 31, 2012

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Independent Auditor's Report

To the Board of Directors of
Lakeridge Health

We have audited the accompanying financial statements of Lakeridge Health, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 audits. We conducted our audits 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 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 in our audits 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 Lakeridge Health as at March 31, 2013, March 31, 2012 and April 1, 2011, the results of its operations, changes in its net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 20, 2013

Lakeridge Health

Statements of financial position
as at March 31, 2013, March 31, 2012 and April 1, 2011

(In thousands of dollars)

	March 31, 2013	March 31, 2012 (Note 3)	April 1, 2011 (Note 3)
	$	$	$
Assets			
Current assets			
Cash (Note 4)	**120,334**	75,541	47,893
Accounts receivable (Note 5)	**18,899**	26,355	16,514
Inventories	**3,907**	4,765	4,003
Prepaid expenses	**1,507**	1,457	1,724
	144,647	108,118	70,134
Cash - restricted funds redevelopment (Note 4)	**1,287**	1,287	1,287
Cash - restricted funds energy retrofit (Note 4)	**14,433**	-	-
Long-term receivable (Note 19)	**-**	1,106	-
Prepaid maintenance contracts	**-**	-	1,265
Capital assets (Note 6)	**434,112**	437,593	349,148
	594,479	548,104	421,834
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**147,874**	134,521	109,049
Deferred capital contributions - capital advances (Note 7)	**6,642**	10,238	15,579
Deferred contributions - other	**8,114**	7,792	6,711
Current portion - long-term debt (Note 9)	**2,340**	2,291	4,353
	164,970	154,842	135,692
Long-term debt (Note 9)	**50,946**	35,092	39,234
Employee future benefit liability (Note 10)	**11,468**	9,714	8,047
Derivative liability (Note 8)	**4,048**	4,261	2,991
Deferred contribution - maintenance contracts	**-**	-	1,265
Deferred capital contributions (Note 7)	**348,587**	355,397	264,702
	580,019	559,306	451,931
Net assets (deficiency)			
Invested in capital assets (Note 11)	**32,805**	44,813	40,859
Internally restricted (Note 12)	**238**	517	495
Unrestricted	**(18,796)**	(56,532)	(71,451)
Net assets (deficiency)	**14,247**	(11,202)	(30,097)
Accumulated remeasurement gains and losses	**213**	-	-
	14,460	(11,202)	(30,097)
	594,479	548,104	421,834

On behalf of the Board

B. St George ______ Chair of the Board

R. Spe ______ Treasurer

The accompanying notes to the financial statements are an integral part of these financial statements.

Lakeridge Health

Statements of operations

years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	2013	2012 (Note 3)
	$	$
Revenue		
Ministry of Health and Long-Term Care ("MoHLTC")	**379,138**	368,766
Patient services	**27,501**	30,048
Other	**24,922**	24,361
Specifically funded programs	**19,516**	18,516
Amortization of deferred capital contributions	**2,785**	3,680
	453,862	445,371
Expenses		
Compensation and benefits	**295,480**	285,282
Supplies and other	**53,248**	63,633
Drugs	**31,223**	29,391
Medical and surgical supplies	**20,681**	18,221
Specifically funded programs	**19,734**	18,506
Amortization of capital assets	**5,325**	7,059
	425,691	422,092
MoHLTC Margin	**28,171**	23,279
Net building amortization and interest		
Amortization of deferred capital contributions	**12,446**	12,551
Amortization of buildings	**(13,025)**	(14,097)
Long-term interest	**(2,143)**	(1,712)
Excess of revenue over expenses before the undernoted	**25,449**	20,021
Loss on derivative instruments valuation (Note 8)	**-**	(1,270)
Excess of revenue over expenses	**25,449**	18,751

The accompanying notes to the financial statements are an integral part of these financial statements.

Lakeridge Health

Statement of remeasurement gains and losses
year ended March 31, 2013
(In thousands of dollars)

	Total
	$
Accumulated remeasurement gains and (losses) at beginning of year	-
Unrealized gains attributable to derivatives	**213**
Net remeasurement gains and (losses) for the year	**213**
Accumulated remeasurement gains and (losses) at end of year	**213**

The accompanying notes to the financial statements are an integral part of these financial statements.

Lakeridge Health

Statements of changes in net assets
years ended March 31, 2013 and March 31, 2012
(In thousands of dollars)

				2013
	Invested in capital assets (Note 11)	Internally restricted (Note 12)	Unrestricted	Total
	$	$	$	$
Net assets, beginning of year	**44,813**	**517**	**(56,532)**	**(11,202)**
Excess (deficiency) of revenue over expenses before amortization	**-**	**(646)**	**28,201**	**27,555**
Amortization of capital assets	**(18,350)**	**-**	**-**	**(18,350)**
Amortization of deferred capital contributions	**15,231**	**-**	**-**	**15,231**
	41,694	**(129)**	**(28,331)**	**13,234**
Purchase of capital assets, net of disposals (Note 14)	**14,869**	**-**	**(14,869)**	**-**
Amounts funded from deferred contributions and restricted funds, less repayments of long-term debt	**(23,758)**	**-**	**23,758**	**-**
Interfund transfer (Note 12)	**-**	**367**	**646**	**1,013**
Net assets (deficiency), end of year	**32,805**	**238**	**(18,796)**	**14,247**

				2012
	Invested in capital assets (Note 3 and 11)	Internally restricted (Note 3 and 12)	Unrestricted (Note 3)	Total (Note 3)
	$	$	$	$
Net assets, beginning of year	40,859	495	(71,451)	(30,097)
Excess (deficiency) of revenue over expenses before amortization	-	(57)	23,733	23,676
Amortization of capital assets	(21,156)	-	-	(21,156)
Amortization of deferred capital contributions	16,231	-	-	16,231
Reclassification of losses from deferred derivative contract included in excess of revenue over expenses	-	-	144	144
	35,934	438	(47,574)	(11,202)
Purchase of capital assets, net of disposals (Note 14)	109,601	-	(109,601)	-
Amounts funded from deferred contributions and restricted funds, less repayments of long-term debt	(100,722)	-	100,722	-
Interfund transfer (Note 12)	-	79	(79)	-
Net assets (deficiency), end of year	44,813	517	(56,532)	(11,202)

The accompanying notes to the financial statements are an integral part of these financial statements.

Lakeridge Health

Statements of cash flows
years ended March 31, 2013 and March 31, 2012
(In thousands of dollars)

	2013	2012 (Note 3)
	$	$
Operating activities		
Excess of revenue over expenses for the year	**25,449**	18,751
Add (deduct) non-cash items		
Amortization of capital assets	**18,350**	21,156
Amortization of deferred capital contributions	**(15,231)**	(16,231)
Employee future benefit expense (Note 10)	**2,113**	2,502
Amortization of deferred loss on derivative contract	**-**	144
Loss on derivative instruments valuation	**-**	1,270
	30,681	27,592
Net change in non-cash operating items (Note 13)	**21,624**	16,561
Long-term receivable	**1,106**	(1,106)
	53,411	43,047
Capital activities		
Purchase of capital assets net of change in accounts payable related to capital asset acquisitions (Note 14)	**(14,374)**	(110,216)
Financing activities		
Proceeds of long-term debt	**18,276**	-
Repayment of long-term debt and equipment financing	**(2,373)**	(6,204)
Capital contributions short-term (Note 7)	**2,184**	7,732
Capital contributions long-term (Note 7)	**2,641**	93,853
Employee future benefits paid (Note 10)	**(539)**	(564)
	20,189	94,817
Net increase in cash during the year	**59,226**	27,648
Cash, beginning of year	**76,828**	49,180
Cash, end of year (Note 4)	**136,054**	76,828
Supplemental information		
Interest paid (Note 9)	**2,271**	2,699

The accompanying notes to the financial statements are an integral part of these financial statements.

1. The Corporation

Lakeridge Health (the Hospital) was formed July 31, 1998 by amalgamation under subsection 113(3) of the Corporations Act of Ontario and is a registered charity under the Income Tax Act. The Hospital is an amalgamation of Oshawa General Hospital, Memorial Hospital Bowmanville, North Durham Hospital Corporation and Whitby General Hospital.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MoHLTC). The Board of Trustees recognizes the Hospital's on-going dependency on the MoHLTC as the primary funding source for the Hospital's operating activities.

As provided under the Local Health System Integration Act, 2006, effective April 1, 2007, the MoHLTC assigned to the Central East Local Health Integration Network (CELHIN), all of its rights, duties and obligations under its 2007/08 Hospital Accountability Agreement with the Hospital. This assignment is aligned with the Ministry's transformation agenda and will enable the CELHIN to take on full responsibility for planning, funding and integrating health services in the CELHIN area, which includes the Hospital.

2. Significant accounting policies

Management has prepared these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, using the deferral method of reporting restricted contributions. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount 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 these estimates. Accounts requiring significant estimates include accounts receivable, capital assets, accrued liabilities and employee future benefits.

Adoption of new accounting standards

As at April 1, 2012, the Hospital adopted Public Sector Accounting Handbook Section PS 2601 *"Foreign Currency Translation"*, Section PS 3450, *"Financial Instruments"* and related amendments in Section PS 1201, "*Financial Statement Presentation*". The transitional provisions for PS 2601 and PS 3450 state that when a government organization applies this standard in the same year it adopts public sector accounting standards for government not-for-profit organizations for the first time, these standards cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards. Consequently, unrealized gains and losses reported in the opening Statement of financial position remain in unrestricted deficiency. PS 1201 applies in the period PS 2601 and PS 3450 are adopted.

The adoption of PS 1201 resulted in the Hospital disclosing a Statement of remeasurement gains and losses and a requirement to separately disclose capital activities on the statement of cash flows.

The adoption of PS 2601 had no impact on the financial statements.

PS 3450 provides guidance for recognition, measurement and disclosure of financial instruments. The impacts of the adoption of this new standard are as follows:

Under the previous standard changes in the fair value of derivative financial instruments were recognized through operations. In accordance with the new standard, changes in the fair value of derivative financial instruments are recorded in the statement of remeasurement gains and losses.

Under the previous standard an initial deferred loss was directly recognized on the adoption of that standard and was charged to net assets amortized on a straight line basis over the term of the instrument resulting in a reclassification of losses from deferred derivative contract of $144 annually in the Statement of changes in net assets. Under the new standard, the initial deferred loss is no longer amortized and is no longer recognized as a separate component of net assets.

2. Significant accounting policies (continued)

Revenue recognition

Under the Health Insurance Act and Regulations thereto, the Hospital is primarily funded by the Province of Ontario. Operating grants are recorded as revenue in the year to which they relate.

To the extent which MoHLTC or CELHIN funding has been received with the stipulated requirement that the Hospital provides specific services, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent. In the event that the services are not performed in accordance with the funding requirements, the funds received in excess of monies spent could be recovered by the MoHLTC or by the CELHIN.

Operating contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Capital contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related capital assets.

Revenue from other agencies, patients, special programs and other sources is recognized when the service is provided.

Classification of Financial instruments

All financial instruments reported on the Statement of Financial Position of the Hospital are measured as follows:

Financial instrument	Previous measurement under Part V, Section 3855	Measurement under PS 3450 at April 1, 2012
Cash	Held for trading - fair value	Amortized cost
Accounts receivable	Loans and receivables - amortized	Amortized cost
Cash - restricted funds redevelopment	Held for trading - fair value	Amortized cost
Cash - restricted funds energy retrofit	Held for trading - fair value	Amortized cost
Accounts payable and accrued liabilities	Other liabilities - amortized cost	Amortized cost
Long-term debt	Other liabilities - amortized cost	Amortized cost
Derivative liability	Held for trading - fair value	Fair value

Under the previous standards in Part V Pre-changeover accounting standards, Section 3855 “Financial Instruments - Recognition and Measurement”, financial assets and financial liabilities were initially recognized at fair value, and subsequently measured depending on their classification. Financial instruments classified as Held-for-Trading were carried at fair value, with changes in their fair value recognized in the Statement of Operations in the current period. Loans and receivables, and other liabilities were carried at amortized cost, using the effective interest method.

Under PS 3450, the Hospital initially recognizes financial instruments at fair value and subsequently measures them at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for derivative liability. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Inventories

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

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis and is based on the estimated useful service lives of the assets as follows:

Land improvements	10-20 years
Buildings and building service equipment	20-50 years
Furniture and equipment	3-15 years

Upon completion, costs in construction-in-progress are reclassified to the appropriate capital asset amount and amortization is commenced when the asset is operational.

Employee future benefits

The Hospital 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 prorated on service and management's best estimate of retirement ages of employees and expected heath 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 Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

3. Adoption of a new accounting framework

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations (Government NPO's). For years beginning on or after January 1, 2012, Government NPO's have a choice of:

(a) Public sector accounting standards including PS 4200 to PS 4270 for government not-for-profit organizations; or

(b) Public Sector Accounting Standards.

The Hospital has chosen to follow Public Sector Accounting Standards including PS 4200 to PS 4270 for government not-for-profit organizations (the "new standards").

Effective April 1, 2012, the Hospital adopted the requirements of this new accounting framework. These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section PS 2125 *"First-time adoption by government organizations*" have been applied. The date of transition to the new standards is April 1, 2011 and the Hospital has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Hospital's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section PS 2125, the Hospital:

(a) recognized all assets and liabilities whose recognition is required by the new standards;

(b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

(c) reclassified items that it recognized previously as one type of asset or liability, but are recognized as a different type of asset or liability under the standards; and

(d) applied the new standards in measuring all recognized assets and liabilities.

(In thousands of dollars)

3. Adoption of a new accounting framework (continued)

In accordance with the requirements of Section PS 2125, the accounting policies set out in Note 2 have been consistently applied (except for the new standards on financial instruments as disclosed in Note 2) to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively, excluding where optional exemptions and mandatory exceptions available under PS 2125 have been applied.

The following exemption and exception were used at the date of transition to the new framework:

Optional exemption

Actuarial Gains and Losses

The Hospital has elected to recognize all unamortized actuarial gains and losses into unrestricted net assets at the date of transition.

Mandatory exception

The estimates made by the Hospital under the CICA Handbook – Accounting Part V – Pre-Changeover Accounting Standards ("Canadian GAAP") were not revised for the application of the new standards except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result the Hospital has not used hindsight to revise estimates.

Reconciliation of net assets (deficiency) and excess of revenue over expenses

The Hospital issued financial statements for the year ended March 31, 2011 using Canadian GAAP. The adoption of the new standards resulted in adjustments to previously reported liabilities, net assets, and excess of revenue over expenses. An explanation of how the transition from Canadian GAAP to the new standards has affected the Hospital's financial position, operations and changes in net assets (deficiency) is set out in the notes and tables below.

The impact of the adoption of the new standards on the Statement of financial position as at April 1, 2011 is summarized as follows:

	Balance as previously reported March 31, 2011	Adjustment	Reference	Balance as adjusted as at April 1, 2011
	$	$		$
Employee future benefit liability	8,000	587	(a)	8,587
Total liabilities	451,344	587		451,931
Net deficiency	(29,510)	(587)		(30,097)

The Impact of the adoption of the new standards on the Statement of financial position as at March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	$	$		$
Employee future benefit liability	8,811	1,714	(b)	10,525
Total liabilities	557,592	1,714		559,306
Net deficiency	(9,488)	(1,714)		(11,202)

(In thousands of dollars)

3. Adoption of a new accounting framework (continued)

Reconciliation of net assets (deficiency) and excess of revenue over expenses (continued)

The impact of the adoption of the new standards on the Statement of operations for the year ended March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	$	$		$
Expenses				
Compensation and benefits	284,155	1,127	(c)	285,282
Excess of revenue over expenses	19,878	(1,127)		18,751

Explanation of adjustments

(a) Employee future benefits liability as at April 1, 2011

The Hospital modified its discount rate to comply with the new standards; the rate used under Canadian GAAP as at March 31, 2011 was 5.0%. In addition, under the previous framework, the attribution period of benefits was from the date of hire to the date of eligibility which was 55. Under the new standards the attribution period of benefits is from date of hire to expected date of retirement which the Hospital has estimated as 60. The change in discount rate combined with the change in attribution period resulted in a decrease of the employee future benefit liability for an amount of $1,103.

Under with the new standards, past service costs are not amortized over the expected average remaining service life of the related employee group rather are recognized immediately; this resulted in an increase of the employee future benefit liability for an amount of $128.

The Hospital elected at the transition to recognize all unamortized gains and losses into unrestricted net assets; this resulted in an increase of the employee future benefit liability for an amount of $1,562.

Cumulative impact of adjustments noted above is $587

(b) Employee future benefits liability as at March 31, 2012

In addition, during the year ended March 31, 2012, the Hospital provided past services costs to eligible employees. Under with the new standards, past service costs are not amortized over the expected average remaining service life of the related employee group rather are recognized immediately; this resulted in an increase of the employee future benefit liability for an amount $1,127.

Cumulative impact of adjustments noted in (a) and (b) is $1,714.

(c) Employee future benefits expense for the year ended March 31, 2012

The additional expense of $1,127 represents the net increase of the variance in the employee future benefit liability between March 31, 2012 and April 1, 2011.

(In thousands of dollars)

4. Cash

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Cash - operations	**117,501**	73,522	44,659
Cash - redevelopment	**2,833**	2,019	3,234
Current	**120,334**	75,541	47,893
Restricted funds - redevelopment	**1,287**	1,287	1,287
Restricted funds - energy retrofit	**14,433**	-	-
	136,054	76,828	49,180

As outlined in the Development Accountability Agreement entered into September 22, 2009 with the MoHLTC for the development of the Oshawa site, $1,287 (March 31, 2012 - $1,287, April 1, 2011 - $1,287) has been restricted through a deposit into a sinking fund.

During the year the Hospital entered into an agreement to retrofit certain energy systems. Under the agreement $17,710 (Note 9) was borrowed and held in trust to finance the project expenditures. At March 31, 2013, $14,683 remained in trust.

5. Accounts receivable

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Ontario Ministry of Health and Long-Term Care	**156**	531	1,672
Insurers and patients	**8,815**	8,059	8,446
Foundations	**(43)**	4,005	141
Other	**10,897**	14,504	6,910
	19,825	27,099	17,169
Provision for uncollectible accounts	**(926)**	(744)	(655)
	18,899	26,355	16,514

(In thousands of dollars)

6. Capital assets

			March 31, 2013
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Land and land improvements	**7,054**	**3,960**	**3,094**
Buildings and building service equipment	**536,945**	**140,586**	**396,359**
Furniture and equipment	**155,572**	**132,407**	**23,165**
Construction in progress	**11,494**	**-**	**11,494**
	711,065	**276,953**	**434,112**

			March 31, 2012
	Cost	Accumulated amortization	Net book value
	$	$	$
Land and land improvements	7,033	3,802	3,231
Buildings and building service equipment	523,780	127,668	396,112
Furniture and equipment	146,904	127,133	19,771
Construction in progress	18,479	-	18,479
	696,196	258,603	437,593

			April 1, 2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Land and land improvements	6,974	3,587	3,387
Buildings and building service equipment	408,663	113,743	294,920
Furniture and equipment	138,342	120,117	18,225
Construction in progress	32,616	-	32,616
	586,595	237,447	349,148

(In thousands of dollars)

7. Deferred capital contributions

Short-term

	March 31, 2013	March 31, 2012
	$	$
Contributions received for capital purposes - current year		
MoHLTC - redevelopment	**29**	7,586
Foundations - redevelopment	**2,155**	146
	2,184	7,732
Transfer to long-term	**(5,780)**	(13,073)
Net decrease for the year	**(3,596)**	(5,341)
Balance, beginning of year	**10,238**	15,579
Balance, end of year	**6,642**	10,238

Long-term

	March 31, 2013	March 31, 2012
	$	$
Contributions received for capital purposes - current year		
MoHLTC - redevelopment	**-**	80,206
Foundations - redevelopment	**-**	3,288
Foundations - other	**640**	5,764
Other	**2,001**	4,595
Net increase for the year	**2,641**	93,853
Transfer from short-term	**5,780**	13,073
Less: amortization	**(15,231)**	(16,231)
Net (decrease) increase for the year	**(6,810)**	90,695
Balance, beginning of year	**355,397**	264,702
Balance, end of year	**348,587**	355,397

8. Derivative liability

The Hospital has a credit facility for the financing of construction of a Central Utilities Plant at one of the Hospital's facilities in the amount of $17,500. The Hospital entered into an interest rate swap agreement to modify the floating rate of interest on the loan from Bankers Acceptance rates of 1.20% during the year, to a fixed rate of 5.99%. The start date of this interest rate swap was October 1, 2004 with a maturity date of May 1, 2027. The notional value of the derivative financial instrument was initially $15,050 but was renegotiated to $17,500 and amortized monthly during the term of the interest rate swap. The fair value of the interest rate swap at March 31, 2013 is $4,048 (March 31, 2012 - $4,261), (April 1, 2011 - $2,991). The change in fair value during the year of $213 is recorded in the Statement of remeasurment gains and losses. The change in fair value in the previous year of $1,270 was included in loss on derivative instruments valuation in the Statement of operations.

(In thousands of dollars)

9. Long-term debt

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Loan bearing interest at 8.40% acquired for construction of parking garage, guaranteed by Oshawa General Hospital Foundation, repayable in blended monthly payments of $96. Loan will be paid in full as of December 31, 2016.	**3,713**	4,522	5,266
Loan for the purpose of financing the construction of a Central Utilities Plant at one of the Hospital's facilities. The loan bears interest at a floating rate based on Bankers Acceptance rates, of 1.20% during the year. Effective October 1, 2004, an interest rate swap in the amount of $15,050 was initiated and was renegotiated to $17,500 that modified the floating interest rate on the loan to a fixed rate of 5.99% (Note 8).	**14,349**	14,959	15,544
Fixed rate loan of $7,013 bearing interest at 5.07% to finance approved capital redevelopment projects. The loan is repayable in monthly payments based on a 15 year amortization.	**4,536**	4,963	5,369
Fixed rate loan of $4,648 bearing interest at 5.60% to finance approved capital redevelopment projects. The loan is repayable in monthly payments based on a 5 year amortization.	**-**	439	1,451
Fixed rate loan of $12,500 bearing interest at 5.58% acquired for expansion of the north parking garage at the Oshawa site. The loan is repayable based on a 25 year amortization with interest only payments for the first 5 years. Principal payments commenced in January 2013.	**12,412**	12,500	12,500
Fixed rate loan of $17,710 bearing interest at 5.25% acquired for the retrofit of energy systems at the Hospital. The loan is repayable based on a 19 year term with the first payment scheduled to begin in January 2015.	**18,276**	-	-
Non-revolving term loan with a principal value of $13,600 on March 31, 2003, for the purpose of financing redevelopment projects. The loan bears interest at a floating rate based on variable Bankers Acceptance rates, of 1.65% during the year. Effective April 1, 2003, an interest rate swap modified the floating interest rate on the loan to a fixed rate of 5.32%. The loan was paid in full by March 31, 2012.	**-**	-	3,457
	53,286	37,383	43,587
Less: amounts due within one year	**2,340**	2,291	4,353
	50,946	35,092	39,234

Interest expense on long-term debt amounted to $3,183 (March 31, 2012 - $2,820) of this amount $933 has been accrued as payment commences in January 2015 on the new loan acquired during the year for the retrofit of energy systems at the Hospital, interest paid amounted to $2,271 (March 31, 2012 - $2,699).

(In thousands of dollars)

9. Long-term debt (continued)

Principal repayments due in each of the next five years are as follows:

	$
2014	2,340
2015	2,929
2016	3,039
2017	2,596
2018	2,159

10. Employee future benefits

The Hospital provides certain post-employment benefits to some of its employees. The most recent actuarial valuation for the Hospital was performed April 1, 2013.

Information about the Hospital's employee future benefits obligations, in aggregate, is as follows:

	March 31, 2013	March 31, 2012 (Note 3)
	$	$
Employee future benefit liability		
Balance, beginning of year	**10,525**	8,587
Employer current service cost	**694**	553
Prior service costs	**879**	1,434
Amortization of experience losses	**-**	-
Amortization of actuarial losses	**46**	-
Interest cost	**494**	515
Benefits paid	**(539)**	(564)
Balance, end of year	**12,099**	10,525

	March 31, 2013	March 31, 2012 (Note 3)	April 1, 2011 (Note 3)
	$	$	$
Short-term portion included in accrued liablilites	**631**	811	540
Long-term portion	**11,468**	9,714	8,047
	12,099	10,525	8,587
Reconciliation of accrued benefit obligation			
Accrued benefit obligation	**13,116**	11,433	9,690
Unamortized experience losses	**(1,017)**	(908)	(1,103)
	12,099	10,525	8,587

(In thousands of dollars)

10. Employee future benefits (continued)

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

	March 31, 2013	March 31, 2012	April 1, 2011
Discount rate to determine accrued benefit obligation	**4.25%**	5.00%	5.00%
Dental cost increases	**4.00%**	4.00%	4.00%
Extended healthcare cost escalations, decreasing by 0.25% per annum to an ultimate rate of 5.0% in 2019 and thereafter	**7.50%**	8.00%	8.50%
Expected average remaining service life of employees	**15**	15	15

11. Net assets invested in capital assets

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
Capital assets (Note 6)	**434,112**	437,593	349,148
Less: amounts financed by			
Deferred capital contributions (Note 7)	**(348,587)**	(355,397)	(264,702)
Long-term debt (Note 9)	**(53,286)**	(37,383)	(43,587)
	32,239	44,813	40,859

12. Internally restricted

The Hospital has restricted $170 (March 31, 2012 - $182, April 1, 2011 - $103) for major capital refurbishment of the parking garage. During the year the Hospital transferred $367 (2012 - $79) from parking revenue to fund preventative maintenance of the parking garage.

The Hospital has also restricted $68 (March 31, 2012 - $335, April 1, 2011 - $392) for the replacement of specialized cancer related equipment at the McLaughlin Durham Regional Cancer Centre.

(In thousands of dollars)

13. Net change in non-cash operating items

	2013	2012
	$	$
Decrease (increase) in assets		
Accounts receivable	**7,465**	(9,841)
Inventories	**858**	(762)
Prepaid expenses	**(50)**	267
Prepaid maintenance contracts	**-**	1,265
	8,273	(9,071)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	**13,036**	25,816
Deferred contributions - other	**315**	1,081
Deferred contribution - maintenance contracts	**-**	(1,265)
	13,351	25,632
	21,624	16,561

14. Purchase of capital assets net of change in accounts payable related to capital asset acquisitions

	2013	2012
	$	$
Purchase of capital assets	**14,869**	109,601
Change in accounts payable related to capital asset acquisitions	**(495)**	615
	14,374	110,216

15. Lease commitments

The Hospital is committed under operating leases for various facilities as well as certain equipment for periods to 2016. Minimum payments due in each of the next five years are as follows:

	$
2014	1,132
2015	973
2016	568
2017	128
2018	-
	2,801

16. Pension plan

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan that is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Hospital amount to $17,265 (2012 - $16,396) and are recorded as compensation and benefits. The most recent actuarial valuation of the plan as at December 31, 2012 indicates the plan is fully funded.

17. Contingent liabilities and guarantees

Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations.

In the normal course of business, the Hospital enters into agreements that meet the definition of a guarantee. The Hospital's primary guarantees are as follows:

a. Indemnity has been provided to all directors and officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Hospital. The maximum amount of any potential future payment cannot be reasonably estimated.

b. In the normal course of business, the Hospital has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Hospital from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Hospital has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

18. Risk management

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital 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.

The long-term debt generally bears interest at fixed rates, except for the loan for purpose of financing the construction of a Central Utilities Plant. The Hospital mitigates interest rate risk on the loans through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (see Note 9). Therefore fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt.

(In thousands of dollars)

19. Related party transactions

Foundations

The Hospital is related to The Oshawa Hospital Foundation, The Memorial Hospital Foundation - Bowmanville, Port Perry Hospital Foundation and Lakeridge Health Whitby Foundation ("Foundations"). The Foundations raise funds to support projects of the Hospital.

The Hospital does not exercise control or significant influence over the Foundations; consequently these financial statements do not include assets, liabilities and activities of the Foundations.

Amounts received or receivable from Foundations related to capital are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	$	$	$
The Oshawa Hospital Foundation	**(81)**	3,712	1,490
The Memorial Hospital Foundation - Bowmanville	**9**	520	-
Port Perry Hospital Foundation	**14**	143	-
Lakeridge Health Whitby Foundation	**15**	-	110
	(43)	4,375	1,600

Shared Services

The Hospital is a member of Plexxus, a not-for-profit shared service organization with 12 hospital owner/members (of which the Hospital is one), funded by the members and the Ministry of Finance's OntarioBuys program whose mandate is to provide supply chain services, financial, human resources and payroll services to member organizations. The objectives of Plexxus are to improve and maximize non-clinical efficiencies, resulting in savings that will be reinvested in direct patient care. During the year, the Hospital has paid $3,062,411 (2012 - $885,283) and accrued $219,456 (March 31, 2012 - $1,236,175; April 1, 2011 - $Nil) for a total of $3,281,867 (2012 - $2,121,458) for purchase price improvement savings.

Based on a resolution of the Plexxus Board on April 6, 2011, Plexxus issued a Refundable Membership Fee Notice to its member hospitals in connection with the implementation of the Integrated Technology Solution Project. On March 31, 2013 the members agreed to forgive repayment in full of the Refundable Membership Fee, including both principal and interest.