

# **St. Joseph's Health Centre**

Financial Statements  
**March 31, 2007**

May 24, 2007

## **Management's Report**

### **To the Members of and the Board of Directors of St. Joseph's Health Centre**

The accompanying financial statements of **St. Joseph's Health Centre** (the "Health Centre") have been prepared by, and are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies selected by management are considered to be the most appropriate to fairly represent the Health Centre's financial affairs. The preparation of financial statements necessarily involves management judgement and estimates of expected outcomes of current events and transactions with appropriate consideration to materiality.

The Health Centre maintains a system of internal accounting and financial controls designed to provide reasonable assurance about the reliability of financial data, to ensure adequate control over transactions, and to safeguard the assets of the Health Centre. This system of internal controls includes formal written accounting and administrative policies and procedures and an organizational structure that provides an appropriate division of responsibilities and authority. Management recognizes the inherent risk in any system and believes the overall systems and controls provide reasonable assurance as to the integrity of the financial statements.

The members of the Health Centre and the Board of Directors have appointed PricewaterhouseCoopers LLP as the Health Centre's auditors. Their accompanying report is based on an examination conducted in accordance with Canadian generally accepted auditing standards.



Carolyn Baker  
President and C.E.O.



Dale McGregor  
Vice-President and C.F.O.

May 24, 2007

## Auditors' Report

### To the Members of and the Board of Directors of St. Joseph's Health Centre

We have audited the statement of financial position of **St. Joseph's Health Centre** (Health Centre) as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*  
Chartered Accountants, Licensed Public Accountants

# St. Joseph's Health Centre

## Statement of Financial Position

As at March 31, 2007

(in thousands of dollars)

	2007 \$	2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	42,331	34,291
Accounts receivable (note 4)	5,100	4,533
Inventories	1,829	1,635
Prepaid expenses	1,618	1,490
<b>Total current assets</b>	<b>50,878</b>	<b>41,949</b>
Cash and investments - restricted for redevelopment (note 5)	40,684	39,547
Property, plant and equipment (note 6)	102,578	107,199
<b>Total assets</b>	<b>194,140</b>	<b>188,695</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	12,803	8,322
Accrued salaries and employee deductions	9,097	8,649
Accrued vacation and sick leave benefits (note 7)	5,626	5,364
Current portion of long-term debt (note 8)	656	625
Due to Ministry of Health and Long-Term Care	1,755	3,096
Deferred revenue (note 9)	2,248	7,155
<b>Total current liabilities</b>	<b>32,185</b>	<b>33,211</b>
Long-term debt (note 8)	4,751	5,407
Employee future benefits (note 10)	4,988	4,958
Provision for sick leave benefits (note 7)	887	1,036
Deferred capital contributions (note 11)	61,463	62,279
<b>Total liabilities</b>	<b>104,274</b>	<b>106,891</b>
<b>Net assets</b>		
Invested in property, plant and equipment (note 12 (a))	81,799	84,467
Unrestricted	8,067	(2,663)
<b>Total net assets</b>	<b>89,866</b>	<b>81,804</b>
<b>Total liabilities and net assets</b>	<b>194,140</b>	<b>188,695</b>

Contingencies and commitments (note 16)

Approved by the Board of Directors



Richard Ross, Chair of the Board of Directors



Shoba Khetrpal, Chair of the Audit Committee

# St. Joseph's Health Centre

## Statement of Operations

For the year ended March 31, 2007

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(in thousands of dollars)

	2007 \$	2006 \$
<b>Revenues</b>		
Ministry of Health and Long-Term Care		
Grants (note 13)	185,869	176,877
Other votes and programs	4,843	4,453
Patient revenue from other payers	14,697	12,999
Preferred accommodation and co-payment revenue	2,514	2,367
Other income	18,441	14,171
Amortization of deferred capital contributions (note 11)	4,751	4,573
	<hr/> 231,115	<hr/> 215,440
<b>Expenses</b>		
Salaries, wages and employee benefits	151,056	139,319
Medical and surgical supplies	13,582	12,727
Drugs and medical gases	9,847	9,366
Other supplies and expenses	29,842	27,346
Other votes and programs	4,856	4,453
Amortization of property, plant and equipment	13,591	13,330
Interest on long-term debt	279	308
	<hr/> 223,053	<hr/> 206,849
<b>Excess of revenues over expenses for the year</b>	<hr/> <b>8,062</b>	<hr/> <b>8,591</b>

# St. Joseph's Health Centre

## Statement of Changes in Net Assets

For the year ended March 31, 2007

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(in thousands of dollars)

			<u>2007</u>	<u>2006</u>
	<b>Invested in property, plant and equipment \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>	<b>Total \$</b>
<b>Net assets - Beginning of year</b>	<b>84,467</b>	<b>(2,663)</b>	<b>81,804</b>	73,213
Excess of revenues over expenses for the year	-	<b>8,062</b>	<b>8,062</b>	8,591
Net change in net assets invested in property plant and equipment (note 12 (b))	<b>(2,668)</b>	<b>2,668</b>	-	-
<b>Net assets - End of year</b>	<b>81,799</b>	<b>8,067</b>	<b>89,866</b>	81,804

# St. Joseph's Health Centre

## Statement of Cash Flows

For the year ended March 31, 2007

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(in thousands of dollars)

	2007 \$	2006 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	8,062	8,591
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	13,591	13,330
Pension and other post-employment benefits expense	8,278	6,385
Amortization of deferred capital contributions	(4,751)	(4,573)
Loss on disposal of property, plant and equipment	3	-
Increase in sick leave provision	7	76
	<u>25,190</u>	<u>23,809</u>
Employer benefit contributions	(8,248)	(7,921)
Payment of sick leave benefits	(156)	(153)
Proceeds on disposal of property, plant and equipment	67	4
Net change in non-cash working capital balances (note 14)	(1,946)	(1,116)
<b>Cash provided by operating activities</b>	<b>14,907</b>	<b>14,623</b>
<b>Investing activities</b>		
Net increase in cash and investments - restricted for redevelopment	(1,137)	(859)
Interest earned on cash and investments - restricted for redevelopment	1,216	859
Purchase of property, plant and equipment	(9,040)	(21,546)
<b>Cash used in investing activities</b>	<b>(8,961)</b>	<b>(21,546)</b>
<b>Financing activities</b>		
Contributions received for capital purposes	2,719	3,775
Principal repayments on long-term debt	(625)	(597)
<b>Cash provided by financing activities</b>	<b>2,094</b>	<b>3,178</b>
<b>Change in cash and short-term investments during the year</b>	<b>8,040</b>	<b>(3,745)</b>
<b>Cash and short-term investments - Beginning of year</b>	<b>34,291</b>	<b>38,036</b>
<b>Cash and short-term investments - End of year</b>	<b>42,331</b>	<b>34,291</b>

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

## 1 Operations

St. Joseph's Health Centre (the "Health Centre") was incorporated under the Corporations Act (Ontario) on November 28, 1994 as a corporation without share capital. The Health Centre is principally involved in providing health-care services to southwest Toronto. The Health Centre is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

## 2 Basis of presentation

### Nature of the Health Centre

The Health Centre is a Catholic facility founded by the Sisters of St. Joseph of Toronto. It is governed and operated within the philosophy and values of the Sisters of St. Joseph and is currently sponsored by the Catholic Health Corporation of Ontario ("CHCO"). The members of the Board of Directors of the CHCO are also the members of the St. Joseph's Health Centre corporation.

### Ownership of land and buildings

As part of the incorporation process, legal title of the land and buildings of the Health Centre was retained by the Sisters. Shortly after the date of incorporation, the Health Centre entered into a lease agreement with the Sisters for the land and buildings. The lease calls for annual nominal rent and expires December 31, 2015. Though there are no legally enforceable renewal periods, it is the intention of both the Health Centre and the Sisters to negotiate in good faith a renewal period if necessary. The terms of the lease agreement grant the Health Centre exclusive control over the leased premises to carry out the operations of the Health Centre. Prior to entering into the lease agreement, the Health Centre was responsible for all capital and operating costs associated with the premises. Under the terms of the lease agreement, the Health Centre continues to maintain responsibility for these same costs throughout the term of the lease.

The Health Centre has effectively maintained all of the risks and benefits of ownership arising from the land and buildings throughout the lease term. As such, the land and buildings continue to be accounted for in the financial statements of the Health Centre at their historical net book value. In addition, the buildings will continue to be amortized over their estimated useful lives regardless of the lease expiration date.

### St. Joseph's Health Centre Foundation

These financial statements do not include the assets, liabilities and activities of the St. Joseph's Health Centre Foundation of Toronto (the "Foundation"), which although related to the Health Centre, is not operated by it.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

## 3 Summary of significant accounting policies

### Revenue recognition

The Health Centre follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Health Centre is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care (the "Ministry"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period, unless the Ministry makes a request for funds to be repaid, at which time the amounts are reclassified as a liability.

Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions received subsequent to April 1, 1990, which are restricted for the purchase of property, plant and equipment (including interest earned that is explicitly required to be used for the purchase of property, plant and equipment), are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, plant and equipment. The dollar amounts of capital grants received prior to April 1, 1990 were not readily determinable and therefore any pre-April 1, 1990 capital grant contributions would be included in the unrestricted net asset balance.

To the extent that Ministry funding has been received with the stipulated requirement that the Health Centre provide 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.

Investment income earned on unspent Ministry capital grants are recognized as an increase in deferred capital contributions and are considered restricted to these purposes. Unrestricted investment income is recognized as revenue when earned.

Revenue from patient revenue from other payers, preferred accommodation and co-payment revenues, and marketed services is recognized when the goods are sold or the service is provided.

### Investments

Investments are recorded at market value. Short-term investments represent investments with maturity dates of less than one year. Investments restricted for redevelopment are recorded as long term.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

## **Inventories**

Inventories consist primarily of hospital supplies held for patient care and are recorded at the lower of cost and replacement cost. Cost is determined by the first-in, first-out method.

## **Property, plant and equipment**

Property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of acquisition. Expenditures for new facilities or those expenditures that substantially increase the useful lives of existing property, plant and equipment are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Land improvements	10 to 20 years
Buildings	10 to 50 years
Building equipment	5 to 25 years
Equipment	3 to 20 years

Construction-in-progress consists of direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are brought into service.

Gains or losses on dispositions are included in the statement of operations in the year of disposal.

## **Impairment of long-lived assets**

The Health Centre reviews the valuation of its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss for long-lived assets is based on the fair value of the asset.

## **Employee benefit plans**

Effective January 1, 1995, the Health Centre established the St. Joseph's Health Centre Pension Plan, which is a contributory defined benefit final average pay plan. Substantially all of the Health Centre's employees belong to this plan. Prior to January 1, 1995, employees at the Health Centre were members of the Sisters of St. Joseph Hospital Employees Pension Plan, also a contributory final average pay plan, which provided benefits for the Health Centre and other institutions owned and sponsored by the Sisters. During fiscal 1997, the assets and obligations relating to the Health Centre's employees were transferred from the Sisters' plan to the Health Centre's plan once regulatory approval was received. The Health Centre also administers the St. Joseph's Health Centre Supplementary Retirement Plan, which is unfunded and provides excess benefits for members imposed by the Income Tax Act limits.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

In addition to the pension plans, the Health Centre administers a post-employment benefits plan for full-time Canadian Union of Public Employees who retire from active service.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return of plan assets, these assets are valued at fair value. Actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year are amortized using the straight-line method over the expected average remaining service life of active employees.

Commencing April 1, 2000, the Health Centre prospectively applied the new accounting recommendations of The Canadian Institute of Chartered Accountants Handbook, Section 3461, Employee Future Benefits, for the pension plans. The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits under the plan. For the post-employment benefits plan the Health Centre retroactively applied the new accounting recommendations. Adjustments resulting from past service amendments, are amortized over the remaining average service life of active employees.

The Health Centre contributes to the pension plan in accordance with regulatory requirements based on the latest actuarial valuation as at January 1, 2006. The next actuarial valuation is expected no later than January 1, 2009.

### **Contributed services and materials**

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at fair value.

### **Financial instruments**

The Health Centre's financial instruments recognized in the statement of financial position and included in working capital consist of cash and short-term investments, accounts receivable, prepaid expenses and accounts payable and accrued liabilities. It is management's opinion that the Health Centre is not exposed to significant interest or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying value due to their short-term maturity. The investments and long-term debt approximate their fair value due to the market rates of interest received or paid.

The Health Centre currently employs an interest rate swap to convert the variable interest rate on its bank loan to a fixed interest rate. The interest rate swap has been accounted for as an effective

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

hedging instrument and, therefore, has no impact on the statement of financial position or statement of operations of the Health Centre.

### 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are subject to significant measurement uncertainty. For all estimates, actual results could differ from those estimates.

## 4 Accounts receivable

The breakdown of accounts receivable is as follows:

	2007 \$	2006 \$
Patients and others	3,498	3,395
Ministry of Health and Long-Term Care	1,079	924
St. Joseph's Health Centre Foundation	523	214
	<u>5,100</u>	<u>4,533</u>

## 5 Cash and investments - restricted for redevelopment

Funds are invested in pooled funds and an income deposit with a Canadian financial institution. Cash and investments - restricted for redevelopment consist of externally restricted funds from the Ministry of Health and Long-Term Care, interest accrued thereon, as well as internally restricted funds of \$10,000.

These funds are restricted for ongoing capital redevelopment, which is expected to be completed in 2010. The current estimate of the total expenditures of the project is approximately \$150,000. Expenditures to date have been \$53,500.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

## 6 Property, plant and equipment

Property, plant and equipment consist of the following:

	2007 \$	2006 \$
<b>Cost</b>		
Land	1,481	1,481
Land improvements	544	544
Buildings	122,166	120,231
Building equipment	12,156	11,318
Equipment	107,051	103,567
Construction-in-progress	8,663	6,280
	<u>252,061</u>	<u>243,421</u>
<b>Accumulated amortization</b>		
Land improvements	544	544
Buildings	57,253	52,004
Building equipment	7,066	6,370
Equipment	84,620	77,304
	<u>149,483</u>	<u>136,222</u>
	<u>102,578</u>	<u>107,199</u>

## 7 Provision for sick leave benefits

Certain employees are entitled to receive payment for unused sick time, calculated at current rates of pay, for time accumulated prior to 1986. Payment is made when employees leave the Health Centre's employment and a provision has been made in the accounts for this liability. The provision has been established assuming that all employees will retire from service and will receive full payment as of the date of the statement of financial position. In the event the employees leave employment prior to retirement, only 50% of their accumulated sick leave becomes payable. No reduction in the provision has been reflected in the accounts for such an occurrence. The liability for unused sick leave benefits, to the extent that they have vested and could be taken in cash by employees on termination, retirement, death or disability is as follows:

	2007 \$	2006 \$
Provision for sick leave benefits	1,087	1,236
Current portion (included in accrued vacation and sick leave benefits)	(200)	(200)
Long-term portion	<u>887</u>	<u>1,036</u>

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

### 8 Long-term debt

The Health Centre has one long-term borrowing arrangement in an unsecured bank loan, including a bankers' acceptance loan facility, combined with a ten-year interest rate swap vehicle. The amount outstanding as at March 31, 2007 under this facility is \$5,407 (March 31, 2006 - \$6,032) including a current portion of \$656 (March 31, 2006 - \$625). The effective interest rate is 4.86%, which represents the interest rate swap of 4.51% plus a 0.35% stamping fee. Monthly principal and interest payments are repayable over a ten-year period, due April 25, 2014.

Principal payments are due as follows:

	\$
2008	656
2009	688
2010	723
2011	759
2012	796
Thereafter	1,785

The Health Centre entered into a fixed interest rate agreement to manage its exposure to changes in interest rates. If the Health Centre were to have unwound its fixed interest rate swap on March 31, 2007, it would have incurred a loss of \$36 (March 31, 2006 - \$17).

The Health Centre has a \$6,000 unsecured, revolving demand line of credit with a Canadian bank. This line of credit had not been utilized as at March 31, 2007.

### 9 Deferred revenue

Deferred revenue consists of the following:

	2007	2006
	\$	\$
Ministry of Health and Long-Term Care		
Funds for program expansion	974	3,002
Funds for Post Construction Operating Plan	-	2,835
Other	466	345
	1,440	6,182
Other	808	973
	<b>2,248</b>	<b>7,155</b>

Deferred revenue - Ministry of Health and Long-Term Care is primarily comprised of monies received from the Ministry, which are either available for future use or subject to a settlement process with the Ministry.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

### 10 Employee future benefits

Information about the Health Centre's pension plans is calculated as at December 31, 2006 (December 31, 2005 for the prior year), the fiscal year-end of the pension plan. The details of the Health Centre's pension plans and other post-employment benefits are as follows:

	2007		
	Pension plans \$	Post- employment benefits \$	Total \$
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	337,204	3,013	340,217
Fair value of plan assets	330,761	-	330,761
Funded status - deficit	6,443	3,013	9,456
Unamortized transitional asset	24,206	-	24,206
Unamortized actuarial (loss) gain	(26,511)	589	(25,922)
Unamortized past service costs	-	(728)	(728)
Contributions made between January 1 and March 31	(2,024)	-	(2,024)
Employee future benefits liability	2,114	2,874	4,988
Change in employee future benefits			
Employee future benefits - Beginning of year	2,316	2,642	4,958
Benefit expense for the year	7,876	402	8,278
Employer contributions	(8,078)	(170)	(8,248)
Employee future benefits - End of year	2,114	2,874	4,988
Benefits paid to beneficiaries during the year	11,792	169	11,961
Significant assumptions			
Discount rate	5.25%	5.00%	
Expected return on plan assets	6.75%	-	
Range for age related compensation increases	6.45% - 3.05%	-	

The expected annual increase in medical costs applicable to the post-employment benefits was 8.00% at the end of 2007, decreasing over seven years to an ultimate rate of 4.5%.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

	<b>2006</b>		
	<b>Pension plans \$</b>	<b>Post- employment benefits \$</b>	<b>Total \$</b>
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	311,340	2,899	314,239
Fair value of plan assets	286,800	-	286,800
Funded status - deficit	24,540	2,899	27,439
Unamortized transitional asset	27,231	-	27,231
Unamortized actuarial (loss) gain	(47,609)	648	(46,961)
Unamortized past service costs	-	(905)	(905)
Contributions made between January 1 and March 31	(1,846)	-	(1,846)
<b>Employee future benefits liability</b>	<b>2,316</b>	<b>2,642</b>	<b>4,958</b>
Change in employee future benefits			
Employee future benefits - Beginning of year	4,062	2,432	6,494
Benefit expense for the year	6,004	381	6,385
Employer contributions	(7,750)	(171)	(7,921)
<b>Employee future benefits - End of year</b>	<b>2,316</b>	<b>2,642</b>	<b>4,958</b>
<b>Benefits paid to beneficiaries during the year</b>	<b>12,224</b>	<b>171</b>	<b>12,395</b>
Weighted average assumptions			
Discount rate	5.00%	5.25%	
Expected long-term return on plan assets	7.00%	-	
Range for age related compensation increases	6.65% - 3.25%	-	

The expected annual increase in medical costs applicable to the post-employment benefits was 8.50% at the end of 2006, decreasing over eight years to an ultimate rate of 4.5%

The last actuarial pension valuation filed with regulatory authorities for funding purposes for the St. Joseph's Health Centre Pension Plan was completed as at January 1, 2006 and indicated a surplus of

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

\$9,042. Actuarial valuations for funding purposes use different assumptions from those required for financial statement disclosure.

### 11 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received, which were specified for the purchase of property, plant and equipment. The amortization of these contributions is recorded as revenue in the statement of operations.

			<b>2007</b>	<b>2006</b>
	<b>Foundation</b>	<b>Ministry of Health and Long-Term Care \$</b>	<b>Total \$</b>	<b>Total \$</b>
Balance - Beginning of year	<b>7,610</b>	<b>54,669</b>	<b>62,279</b>	62,218
Add contributions received during the year	<b>1,802</b>	<b>917</b>	<b>2,719</b>	3,775
Interest income earned	-	<b>1,216</b>	<b>1,216</b>	859
Less amounts amortized into revenue	<b>(985)</b>	<b>(3,766)</b>	<b>(4,751)</b>	<b>(4,573)</b>
Balance - End of year	<b>8,427</b>	<b>53,036</b>	<b>61,463</b>	<b>62,279</b>

### 12 Net assets invested in property, plant and equipment

a) Net assets invested in property, plant and equipment is comprised of the following amounts:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment, net	<b>102,578</b>	107,199
Add cash and investments - restricted for redevelopment	<b>40,684</b>	39,547
Less amounts funded by deferred contributions	<b>(61,463)</b>	<b>(62,279)</b>
	<b>81,799</b>	<b>84,467</b>

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

(in thousands of dollars)

b) The net change in net assets invested in property, plant and equipment is calculated as follows:

	2007 \$	2006 \$
Purchase of property, plant and equipment	9,040	21,546
Amounts funded by deferred capital contributions	(2,719)	(3,775)
Amortization of property, plant and equipment	(13,591)	(13,330)
Amortization of deferred capital contributions	4,751	4,573
Loss on disposal of property, plant and equipment	(3)	-
Proceeds on disposal of property, plant and equipment	(67)	(4)
Change in cash and investments - restricted for redevelopment	(79)	-
	<u>(2,668)</u>	<u>9,010</u>

### 13 Ministry of Health and Long-Term Care grants

Ministry of Health and Long-Term Care grants for the current year include an amount of \$3,927 relating to amounts previously expected to be recovered by the Ministry with respect to Post Construction Operating Plan funding for the year ended March 31, 2006 for full value targets not achieved (March 31, 2006 - \$8,749). During the year the Ministry informed the Health Centre that it would not recover those funds. The amount of \$3,927 was included in the Health Centre's liabilities as at March 31, 2006.

Other amounts included in Ministry of Health and Long-Term Care grants for the current year include \$3,002 of funds for program expansion received in prior fiscal years. The Ministry informed the Health Centre that it considers this funding earned. These funds were included in deferred revenue as at March 31, 2006.

### 14 Statement of cash flows

a) The changes in working capital items are as follows:

	2007 \$	2006 \$
Accounts receivable	(567)	4,292
Inventories	(194)	(139)
Prepaid expenses and other assets	(128)	(87)
Accounts payable and accrued liabilities	4,481	(1,401)
Accrued salaries and employee deductions	448	(168)
Accrued vacation and sick leave benefits	262	431
Due to Ministry of Health and Long-Term Care	(1,341)	(6,571)
Deferred revenue	(4,907)	2,527
	<u>(1,946)</u>	<u>(1,116)</u>

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2007

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(in thousands of dollars)

b) Cash and short-term investments consist of the following:

	2007 \$	2006 \$
Cash on hand and on deposit with the bank	18,693	8,059
Short-term investments	23,638	26,232
	<u>42,331</u>	<u>34,291</u>

### 15 Related party transactions

a) The Health Centre had the following related party transactions:

	2007 \$	2006 \$
Capital donations received from the Foundation	1,802	2,276
Non-capital donations received from the Foundation	370	203
Donations from the Health Centre gift shop to the Foundation	50	35

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- b) The Health Centre has an economic interest in the Foundation. The objectives of the Foundation are to "receive and maintain funds for the benefit of the Health Centre through the enhancement or improvement of facilities or the services provided by the Health Centre."
- c) At March 31, 2007, there is \$523 (2006 - \$214) receivable from the Foundation representing the reimbursement of operating expenditures paid by the Health Centre on behalf of the Foundation.
- d) On incorporation of the Health Centre, a lease agreement was established with the owners, the Sisters of St. Joseph of Toronto, for the land and buildings. The lease requires a monthly nominal payment of one dollar and expires December 30, 2015. The Health Centre is responsible for all occupancy costs including leasehold improvements.

# St. Joseph's Health Centre

## Notes to Financial Statements

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(in thousands of dollars)

### 16 Contingencies and commitments

- a) The Health Centre is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual deposit premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for the years in which the Health Centre was a member. No reassessments have been made to March 31, 2007.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premiums plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as at March 31, 2007.

- b) From time to time, the Health Centre is named in lawsuits related to its activities. It is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the Health Centre. Accordingly, no provision for loss has been made in these financial statements, but in management's view, these claims should not have a material adverse effect on the financial position of the Health Centre.
- c) Future minimum operating lease payments, relating primarily to the off-site Renal Centre, are as follows:

	\$
2008	443
2009	457
2010	461
2011	449
2012	447
Thereafter	<u>4,544</u>
	<u>6,801</u>

- d) The Health Centre has outstanding contractual commitments for capital expenditures amounting to approximately \$19,400.

### 17 Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation adopted in the current year.