

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

Financial Statements  
**March 31, 2008**

May 29, 2008

**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, 2008 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, 2008 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**

May 29, 2008

## **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  
Executive Vice-President Corporate Services & C.F.O.

# St. Joseph's Health Centre

## Statement of Financial Position

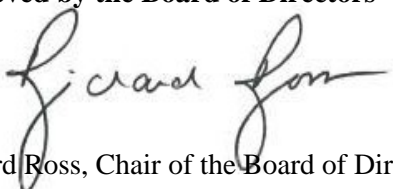
As at March 31, 2008

(in thousands of dollars)

	2008 \$	2007 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	50,543	42,331
Accounts receivable (note 4)	7,456	5,100
Inventories	3,032	1,829
Prepaid expenses	1,814	1,618
<b>Total current assets</b>	<b>62,845</b>	<b>50,878</b>
Cash and investments - restricted for redevelopment (note 5)	28,035	40,684
Property, plant and equipment (note 6)	105,882	102,578
<b>Total assets</b>	<b>196,762</b>	<b>194,140</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	16,778	12,803
Accrued salaries and employee deductions	11,443	9,097
Accrued vacation and sick leave benefits (note 7)	5,813	5,626
Current portion of long-term debt (note 8)	688	656
Due to Ministry of Health/Toronto Central LHIN	1,083	1,755
Deferred revenue (note 9)	1,675	2,248
<b>Total current liabilities</b>	<b>37,480</b>	<b>32,185</b>
Long-term debt (note 8)	4,063	4,751
Employee future benefits (note 10)	6,000	4,988
Provision for sick leave benefits (note 7)	773	887
Deferred capital contributions (note 11)	60,493	61,463
<b>Total liabilities</b>	<b>108,809</b>	<b>104,274</b>
<b>Net assets</b>		
Invested in property, plant and equipment (note 12 (a))	73,424	81,799
Unrestricted	14,529	8,067
<b>Total net assets</b>	<b>87,953</b>	<b>89,866</b>
<b>Total liabilities and net assets</b>	<b>196,762</b>	<b>194,140</b>

Contingencies and commitments (note 15)

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, 2008

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(in thousands of dollars)

	2008 \$	2007 \$
<b>Revenues</b>		
Ministry of Health/Toronto Central LHIN		
Grants	188,130	185,869
Other votes and programs	5,256	4,843
Patient revenue from other payers	15,668	14,697
Preferred accommodation and co-payment revenue	2,579	2,514
Other income	19,669	18,441
Amortization of deferred capital contributions related to equipment (note 11)	2,010	2,543
	<hr/> 233,312	<hr/> 228,907
<b>Expenses</b>		
Salaries, wages and employee benefits	163,219	151,056
Medical and surgical supplies	14,855	13,582
Drugs and medical gases	10,582	9,847
Other supplies and expenses	30,083	29,842
Other votes and programs	5,302	4,856
Amortization of equipment	7,483	7,647
	<hr/> 231,524	<hr/> 216,830
<b>Surplus for the year before the undernoted items</b>	<b>1,788</b>	<b>12,077</b>
Amortization of deferred capital contributions related to buildings and building equipment (note 11)	2,289	2,208
Less: Amortization of buildings and building equipment	(5,748)	(5,944)
Less: Interest on long-term debt (note 8)	(360)	(279)
	<hr/> (2,031)	<hr/> 8,062
<b>(Deficit) surplus for the year</b>	<b>(2,031)</b>	<b>8,062</b>

# St. Joseph's Health Centre

## Statement of Changes in Net Assets

For the year ended March 31, 2008

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(in thousands of dollars)

			<u>2008</u>	<u>2007</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>81,799</b>	<b>8,067</b>	<b>89,866</b>	81,804
Transitional adjustment as a result of adopting hedge accounting (note 3)	-	<b>(36)</b>	<b>(36)</b>	-
(Deficit) surplus for the year	-	<b>(2,031)</b>	<b>(2,031)</b>	8,062
Unrealized gain on short-term investments	-	<b>154</b>	<b>154</b>	-
Net change in net assets invested in property plant and equipment (note 12 (b))	<b>(8,375)</b>	<b>8,375</b>	-	-
<b>Net assets - End of year</b>	<b>73,424</b>	<b>14,529</b>	<b>87,953</b>	89,866

# St. Joseph's Health Centre

## Statement of Cash Flows

For the year ended March 31, 2008

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(in thousands of dollars)

	2008 \$	2007 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficit) surplus for the year	(2,031)	8,062
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	13,231	13,591
Pension and other post-employment benefits expense	6,310	8,278
Amortization of deferred capital contributions	(4,299)	(4,751)
Net change in sick leave provision	(114)	(149)
Loss on disposal of property, plant and equipment	-	3
	<u>13,097</u>	<u>25,034</u>
Employer benefit contributions	(5,298)	(8,248)
Net change in non-cash working capital balances (note 13(a))	1,508	(1,946)
<b>Cash provided by operating activities</b>	<b>9,307</b>	<b>14,840</b>
<b>Investing activities</b>		
Net decrease (increase) in cash and investments - restricted for redevelopment	12,649	(1,137)
Interest earned on cash and investments - restricted for redevelopment	1,352	1,216
Purchase of property, plant and equipment	(16,535)	(9,040)
Proceeds on disposal of property, plant and equipment	-	67
<b>Cash used in investing activities</b>	<b>(2,534)</b>	<b>(8,961)</b>
<b>Financing activities</b>		
Contributions received for capital purposes	1,977	2,719
Transitional adjustment as a result of adopting hedge accounting	(36)	-
Unrealized gain on investments	154	-
Principal repayments on long-term debt	(656)	(625)
<b>Cash provided by financing activities</b>	<b>1,439</b>	<b>2,094</b>
<b>Change in cash and short-term investments during the year</b>	<b>8,212</b>	<b>8,040</b>
<b>Cash and short-term investments - Beginning of year</b>	<b>42,331</b>	<b>34,291</b>
<b>Cash and short-term investments - End of year</b>	<b>50,543</b>	<b>42,331</b>
<b>Supplemental disclosure:</b>		
Interest received, net	2,756	2,728

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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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 controlled by it.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

## 3 Summary of significant accounting policies

A summary of the significant accounting policies is as follows:

### Change in accounting policies

On April 1, 2007, the Health Centre adopted Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation, of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. Section 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment of changes in fair value. Under Section 3855, all investments are now presented at fair value. No transitional adjustment was required as the Health Centre has always used fair value as a basis to measure investments.

On April 1, 2007, the Health Centre adopted Section 3865 – Hedges, of the CICA Handbook. This Section establishes standards for when and how hedge accounting may be applied. 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 Health Centre has not designated this swap as a hedge for accounting purposes and as a result changes in the fair value are recognized in the current period. Any adjustment to the Health Centre's financial statements as a result of adopting Section 3865 is recognized by restating the balance of opening net assets. In accordance with the provisions of the new standards, a transitional adjustment was recorded at April 1, 2007 to decrease the unrestricted net assets and increase accounts payable by \$36.

On April 1, 2007, the Health Centre adopted Section 1506, Accounting Changes, of the CICA Handbook. Section 1506 prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Health Centre's financial position or results of operations.

### Future changes in accounting policies

The CICA issued four new accounting standards that are applicable to the Health Centre: Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation.

Section 1535 establishes disclosure requirements about an entity's net assets and how it is managed. The purpose will be to enable users of the Health Centre's financial statements to evaluate objectives, policies and processes for its net assets.

Section 3031 revises and enhances the requirements for assigning costs to inventories.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

Sections 3862 and 3863 will replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Health Centre manages those risks.

The Health Centre will begin application of these sections effective April 1, 2008. At this time it is not anticipated that there will be significant effect on the Health Centre's financial statements.

### **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 of Health") through the Hospital Accountability Agreement. During the year this agreement was assigned to the Toronto Central Local Health Integration Network (the "Toronto Central LHIN"). 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 of Health/Toronto Central LHIN 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 of Health/Toronto Central LHIN funding has been received with the stipulated requirement that the Health Centre 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.

Investment income earned on unspent Ministry of Health/Toronto Central LHIN capital grants are recognized as an increase in deferred capital contributions and are considered restricted to these purposes. Unrestricted investment income, which consists of interest, income distributions from

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

pooled funds and realized gains and losses, is recognized as revenue when earned. Unrealized gains and losses are recorded as direct change in the statement of net assets.

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**

Short-term investments represent investments with maturity dates of less than one year. Investments restricted for redevelopment are recorded as long term. Changes in fair value of long term investments are recognized in deferred capital contributions.

### **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.

### **Employee benefit plans**

The Health Centre administers 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. The Health Centre also administers the St. Joseph's Health Centre Supplementary Retirement Plan, which is unfunded and provides benefits for members in excess of limits imposed by the Income Tax Act.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

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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.

The Health Centre contributes to the pension plan in accordance with regulatory requirements based on the latest actuarial valuation as at January 1, 2007. The next actuarial valuation is expected no later than January 1, 2010.

### **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 consist of cash and short-term investments, accounts receivable, which are classified as loans and receivables, accrued salaries and employee deductions, accrued vacation and sick leave benefits and accounts payable and accrued liabilities, which are classified as other liabilities. The Health Centre has designated its short-term investments as available for sale and has presented these investments at fair value. The Health Centre's other financial assets and liabilities continue to be presented at amortized cost which approximates fair value due to their short-term maturities. It is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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 fair value of the interest rate swap has been recorded in accounts payable and accrued liabilities.

### **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.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

These estimates are subject to significant measurement uncertainty. For all estimates, actual results could differ from those estimates.

### 4 Accounts receivable

Accounts receivable consists of the following:

	2008	2007
	\$	\$
Patients and others	3,420	3,498
Ministry of Health/Toronto Central LHIN	3,592	1,079
St. Joseph's Health Centre Foundation	444	523
	<u>7,456</u>	<u>5,100</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, 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 \$155,000. Expenditures to date have been \$61,932.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

## 6 Property, plant and equipment

Property, plant and equipment consist of the following:

	2008	2007
	\$	\$
<b>Cost</b>		
Land and land improvements	2,025	2,025
Buildings and building equipment	135,942	134,322
Equipment	114,480	107,051
Construction-in-progress	16,149	8,663
	<u>268,596</u>	<u>252,061</u>
<b>Accumulated amortization</b>		
Land improvements	544	544
Buildings and building equipment	70,067	64,319
Equipment	92,103	84,620
	<u>162,714</u>	<u>149,483</u>
	<u>105,882</u>	<u>102,578</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:

	2008	2007
	\$	\$
Provision for sick leave benefits	973	1,087
Current portion (included in accrued vacation and sick leave benefits)	<u>(200)</u>	<u>(200)</u>
Long-term portion	<u>773</u>	<u>887</u>

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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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 effective interest rate is 4.86%, which represents the interest rate swap of 4.51% plus a 0.35% stamping fee. The fair value of the interest rate swap of \$148 has been included in accounts payable and accrued liabilities on the statement of financial position and an amount of \$112 has been presented in interest on long-term debt in the statement of operations, which represents the change in fair value in the current year. Monthly principal and interest payments are repayable over a ten-year period, due April 25, 2014.

Principal payments are due as follows:

	\$
2009	688
2010	723
2011	759
2012	796
2013	835
Thereafter	950
	<u>4,751</u>

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, 2008.

## 9 Deferred revenue

Deferred revenue consists of the following:

	2008	2007
	\$	\$
Ministry of Health/Toronto Central LHIN		
Funds for program expansion	365	974
Other	472	466
	<u>837</u>	1,440
Other	838	808
	<u>1,675</u>	<u>2,248</u>

Deferred revenue - Ministry of Health/Toronto Central LHIN is primarily comprised of monies received from the Ministry of Health/Toronto Central LHIN which are either available for future use or subject to a settlement process with the Ministry/Toronto Central LHIN.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

(in thousands of dollars)

### 10 Employee future benefits

Information about the Health Centre's pension plans is calculated as at December 31, 2007 (December 31, 2006 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:

	<b>2008</b>		
	<b>Pension plans \$</b>	<b>Post- employment benefits \$</b>	<b>Total \$</b>
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	<b>341,093</b>	<b>2,902</b>	<b>343,995</b>
Fair value of plan assets	<b>337,822</b>		<b>337,822</b>
Funded status - deficit	<b>3,271</b>	<b>2,902</b>	<b>6,173</b>
Unamortized transitional asset	<b>21,180</b>		<b>21,180</b>
Unamortized actuarial (loss) gain	<b>(20,503)</b>	<b>796</b>	<b>(19,707)</b>
Unamortized past service costs		<b>(550)</b>	<b>(550)</b>
Contributions made between January 1 and March 31	<b>(1,096)</b>		<b>(1,096)</b>
Employee future benefits liability	<b>2,852</b>	<b>3,148</b>	<b>6,000</b>
Change in employee future benefits			
Employee future benefits - Beginning of year	<b>2,114</b>	<b>2,874</b>	<b>4,988</b>
Benefit expense for the year	<b>5,896</b>	<b>414</b>	<b>6,310</b>
Employer contributions	<b>(5,158)</b>	<b>(140)</b>	<b>(5,298)</b>
Employee future benefits - End of year	<b>2,852</b>	<b>3,148</b>	<b>6,000</b>
Benefits paid to beneficiaries during the year	<b>14,160</b>	<b>140</b>	<b>14,300</b>
Significant assumptions			
Discount rate	<b>5.50%</b>	<b>5.75%</b>	n/a
Expected return on plan assets	<b>6.25%</b>	n/a	n/a
Range for age related compensation increases	<b>6.25%-2.85%</b>	n/a	n/a

The expected annual increase in medical and dental costs applicable to the post-employment benefits was 6.7% at the end of 2008 (2007 - 7.0%) decreasing over seven years to an ultimate rate of 4.5%.

# St. Joseph's Health Centre

## Notes to Financial Statements

March 31, 2008

(in thousands of dollars)

			<b>2007</b>
	<b>Pension plans \$</b>	<b>Post- employment benefits \$</b>	<b>Total \$</b>
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)
<b>Employee future benefits liability</b>	<b>2,114</b>	<b>2,874</b>	<b>4,988</b>
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)
<b>Employee future benefits - End of year</b>	<b>2,114</b>	<b>2,874</b>	<b>4,988</b>
Benefits paid to beneficiaries during the year	11,792	169	11,961
Significant assumptions			
Discount rate	5.25%	5.00%	n/a
Expected return on plan assets	6.75%	n/a	n/a
Range for age related compensation increases	6.45% - 3.05%	n/a	n/a

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, 2007 and indicated a surplus of \$21,278. Actuarial valuations for funding purposes use different assumptions from those required for financial statement disclosure.

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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(in thousands of dollars)

## 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.

			2008	2007
	Foundation	Ministry of Health / Toronto Central LHIN	Total	Total
	\$	\$	\$	\$
Balance - Beginning of year	8,427	53,036	61,463	62,279
Add contributions received during the year	1,977	-	1,977	2,719
Interest income earned	-	1,352	1,352	1,216
Less amounts amortized into revenue	(1,029)	(3,270)	(4,299)	(4,751)
Balance - End of year	9,375	51,118	60,493	61,463

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

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

	2008	2007
	\$	\$
Property, plant and equipment, net	105,882	102,578
Add cash and investments - restricted for redevelopment	28,035	40,684
Less amounts funded by deferred contributions	(60,493)	(61,463)
	73,424	81,799

# St. Joseph's Health Centre

## Notes to Financial Statements

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(in thousands of dollars)

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

	2008	2007
	\$	\$
Purchase of property, plant and equipment	16,535	9,040
Amounts funded by deferred capital contributions	(1,977)	(2,719)
Amortization of property, plant and equipment	(13,231)	(13,591)
Amortization of deferred capital contributions	4,299	4,751
Loss on disposal of property, plant and equipment	-	(3)
Proceeds on disposal of property, plant and equipment	-	(67)
Change in cash and investments - restricted for redevelopment	(14,001)	(79)
	<u>(8,375)</u>	<u>(2,668)</u>

### 13 Statement of cash flows

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

	2008	2007
	\$	\$
Accounts receivable	(2,356)	(567)
Inventories	(1,203)	(194)
Prepaid expenses and other assets	(196)	(128)
Accounts payable and accrued liabilities	3,975	4,481
Accrued salaries and employee deductions	2,346	448
Accrued vacation and sick leave benefits	187	262
Due to Ministry of Health /Toronto Central LHIN	(672)	(1,341)
Deferred revenue	(573)	(4,907)
	<u>1,508</u>	<u>(1,946)</u>

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

	2008	2007
	\$	\$
Cash on hand and on deposit with the bank	18,408	18,693
Short-term investments	32,135	23,638
	<u>50,543</u>	<u>42,331</u>

# St. Joseph's Health Centre

## Notes to Financial Statements

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(in thousands of dollars)

### 14 Related party transactions

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

	2008	2007
	\$	\$
Capital donations received from the Foundation	2,000	1,802
Non-capital donations received from the Foundation	122	370
Donations from the Health Centre gift shop to the Foundation	35	50

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, 2008, there is \$444 (2007 - \$523) 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.

### 15 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, 2008.

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, 2008.

- 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

# St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2008

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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:

	\$
2009	477
2010	482
2011	459
2012	450
2013	389
Thereafter	<u>4,155</u>
	<u>6,412</u>

- d) The Health Centre has outstanding contractual commitments for capital expenditures amounting to approximately \$12,829.

## 16 Comparative financial statements

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