



# Management's Review of Operations

APRIL 2006 - MARCH 2007

# From the Office of the President and Chief Executive Officer

On behalf of the Leadership Team at St. Joseph's Health Centre, I am pleased to present the *2006-2007 Management's Review of Operations*. This document is a companion piece to our 2006-2007 Annual Report.

As a public hospital in Ontario, St. Joseph's Health Centre operates under the Public Hospitals Act and is accountable to the communities that we serve and to the Toronto Central Local Health Integration Network (LHIN).

As your community teaching hospital, we are accountable to our patients and their families, those who serve with us and the 32 neighbourhoods in our catchment area. This Review of Operations is one way of providing information to you about our operating results.

Some of the highlights in this year's Review of Operations include:

- We continue to expand our programs and services to meet the diverse health care needs of our growing communities.

- We have ended the fiscal year with a strong cash balance and working capital, which has placed us in a very positive position where we can continue to meet the future needs and obligations as a community teaching hospital.

- In February 2006, the Health Centre signed an Accountability Agreement governing performance standards with the Ministry of Health and Long-Term Care and we have successfully achieved all six standards.

We have tried to produce a document that is understandable to the general reader, however, this is an activity and financial report so please feel free to contact our Public Affairs Department for more information on any of these sections contained inside by calling 416-530-6387 or e-mail [pubaff@stjoe.on.ca](mailto:pubaff@stjoe.on.ca).



Carolyn Baker  
President and CEO

# Contents

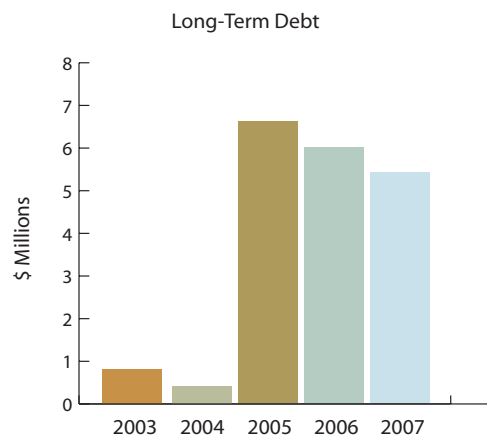
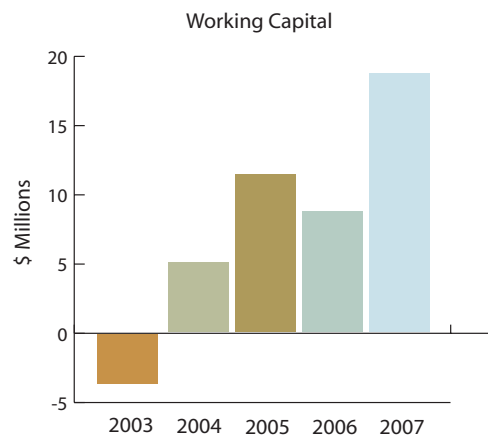
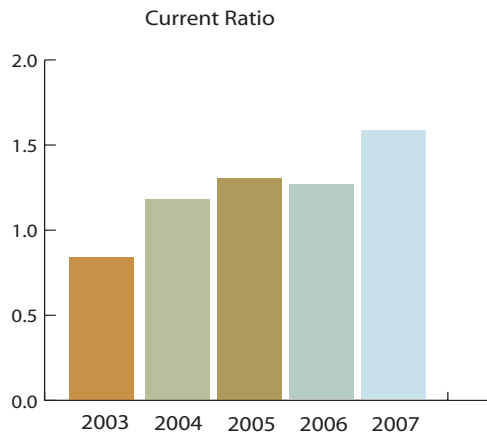
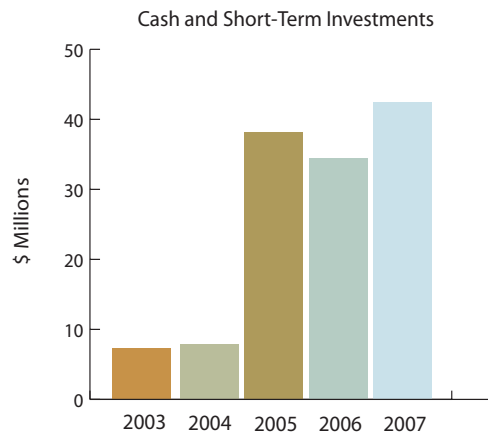
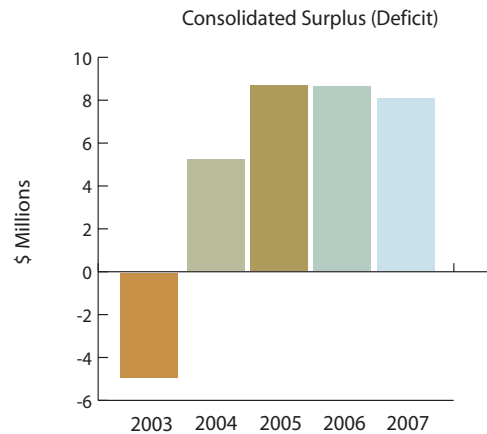
At a Glance .....	2
Financial Trends .....	3
Mission and Values .....	4
Governance .....	5
Program Highlights .....	6
Financial Performance .....	8
Analysis of Operating Results .....	8
Revenue Analysis by Source .....	9
Expense Analysis .....	10
Analysis of Working Capital .....	13
Capital Expenditures .....	14
Managing Performance .....	15
Auditor's Report and Audited Financial Statements .....	16

# St Joseph's Health Centre

## At a Glance

EMERGENCY DEPARTMENT VISITS	81,810
PATIENTS BROUGHT BY AMBULANCE	13,361
% OF EMERGENCY DEPARTMENT PATIENTS ADMITTED	10.9%
AMBULATORY CARE VISITS	217,097
BIRTHS	3,331
DIAGNOSTIC IMAGING PROCEDURES	142,049
SURGICAL AND PROCEDURAL CASES	24,735
BEDS	376
ADMISSIONS	21,794
AVERAGE LENGTH OF STAY	5.7 DAYS
OCCUPANCY RATE	88%
EXPECTED NUMBER OF TEACHING DAYS	18,716

# Financial Trends



# Our Mission and Values

## Our Mission

St. Joseph's Health Centre is a Catholic community teaching hospital providing health care services that reflect the Gospel values of respect, dignity and compassion.

We are committed to fostering a healthy community for all. Working in partnership with our community, we reach out with the healing ministry of Christ to the sick, the disenfranchised and the disadvantaged.

## Our Values

As a Catholic hospital, we believe that life is sacred, from the moment of conception until death, because it has been given to us in trust by God. Recognition of the gifted nature of human life has implications for how we treat each other and how we care for every patient, while having the integrity and courage to remain faithful to who we are.

For those who are not part of the Catholic religion or do not believe in God, this belief translates into respect, dignity and compassion – universally accepted human values that can be practiced by all regardless of religion.

**Human Dignity:** We believe that each person is valued as a unique individual with a right to respect and acceptance.

**Excellence:** We are committed to strive for the best in care, education, research and the quality of work life.

**Compassion:** We believe in a quality of presence and caring that fosters healing and wholeness.

**Social Responsibility:** We act to promote the just use of resources entrusted to us for the enhancement of human life.

**Community of Service:** We believe that a community of people working together in a climate of mutual support enables both healing and the fulfillment of human potential.

# Governance

As per the Public Hospitals Act (PHA), the affairs of a hospital corporation are governed by its Board of Directors whose key roles are to formulate policy, make decisions and monitor and assess organizational processes and outcomes.

The Board is comprised of volunteers and includes 12 elected members by the Catholic Health Corporation of Ontario, with the balance of the Board being appointed, including the Health Centre President and CEO, the Chief of Staff, the President of the Medical Staff Association, the Vice President of the Medical Staff Association, two representatives of the Catholic Health Corporation of Ontario, the President of the Catholic Health Corporation of Ontario, the Dean of the Faculty of Medicine at the University of Toronto or his/her delegate and the Archbishop of Toronto or his nominee.

The Board is accountable to the Catholic Health Corporation of Ontario and discharges its responsibilities within corporate values directly and through its committees. In certain situations, such as the disposition of the proponent, the Catholic Health Corporation of Ontario has the final approval.

## Audit Committee

This committee assists the Board in fulfilling oversight responsibilities with respect to:

- 1) the quality, integrity and appropriateness of financial reporting;
- 2) the quality, integrity and performance of internal

- controls regarding finance and accounting;
- 3) the quality, performance and independence of external auditors;
- 4) compliance with regulatory requirements; and
- 5) in conjunction with the Quality Committee, reviews management's assessment of the principal financial risks of the Health Centre.

## Compensation Committee

This committee assists the Board in fulfilling its oversight responsibilities regarding policies and practices relating to recruitment, retention and performance of senior management and senior medical staff with the ultimate goal of ensuring adequate depth and breath of management.

## Governance Committee

This committee is an advisory committee to the Board and makes recommendations relating to governance principles, structures, policies and processes for a number of areas of the Board including recruitment, education, committees, performance and evaluation.

## Quality Committee

This committee assists the Board in fulfilling its oversight responsibilities and ensures processes and systems are in place to monitor, track, and improve quality, patient safety, risk, and dynamic work environment.

# Program Highlights

## Clinical Support Services

This area includes Laboratory Medicine, Cardio-Respiratory Services (including Outpatient Rehabilitation), Diagnostic Imaging and Biomedical Engineering. In 2006-2007, Laboratory Medicine began performing Polymerase Chain Reaction (PCR) testing in Microbiology for rapid Methicillin-resistant Staphylococcus aureus (MRSA) testing and installed a new Hematology Analyzer. Within Cardio-Respiratory Services, the Pulmonary Function lab has just purchased new equipment, which has significantly reduced the wait time for patients. Two respiratory therapists have just completed intensive training to become among the first in the province to be certified as Anaesthetist Assistants. The cardiology department and cardiac diagnostic staff are engaged in the process of purchasing a Cardiac Data Management system which will provide storage, retrieval and management of approximately 30,000 ECGs per year, and will be accessible in the hospital and remotely.

Diagnostic Imaging has increased MRI hours progressively to 16 hours per day, seven days per week and will soon work 24 hours per day, seven days per week. The SJHC Diagnostic Imaging department is one of three departments in the province to participate in a study to increase the performance and efficiency of CT and MRI services. Phase one is complete and phase two will begin shortly. In addition, Diagnostic Imaging is actively working to expand ultrasound services, and is in the process of preparing an RFP for the purchase of a Digital Mammography machine. Biomedical Engineering Services is currently undergoing a review to determine the shape and scope of service provision.

## Emergency, Critical Care and Access Services

The number of Emergency Department visits has increased by nine per cent over the last fiscal year to 81,810. In late fall, the hospital launched a demonstration project with McKinsey & Company to look at how patients are moved through the hospital efficiently, effectively and safely, and reduce the length of stay through the Emergency Department and the General Internal Medicine Continuum. A lean approach was applied to reviewing the systems and a number of processes were implemented to decrease length of stay for patients waiting for a bed. SJHC also received funding from The Ministry of Health and Long-Term Care to establish a critical care response team to improve patient outcomes. The team has provided a 24/7 response to the inpatient areas since February of 2007. To date, 63 patients have been transferred to the ICU and stayed for an average stay of 3.8 days after a consult via the critical care response team.

## Medicine, Ambulatory and Senior's Health

In October 2006, two specialized General Medicine Units were created, using a dedicated interprofessional team model of care delivery, to better meet the needs of our complex medical inpatients. Supporting our highly regarded geriatric program is the Elderly Community Health Services Clinic, which provides outpatient, hospital-based, multidisciplinary assessment, consultation, and treatment to the frail elderly whose independence is at risk. Working in conjunction with the Community Engagement & Urban Health Department, the Seniors Population Panel was established to help engage in two-way dialogue with the community to share information, offer recommendations, and advocate on behalf of the diverse seniors populations in our catchment area. The Soft Landing Project was launched in partnership with Toronto West community support agencies to help frail seniors living alone, or with an older caregiver, to get home safely and settled comfortably upon discharge from the hospital.

## Mental Health and Addictions

The Mental Health and Addictions Program provides comprehensive care across a continuum of services for persons living with serious mental illness and or addiction issues. Last year we added a number of new services to enhance the care that our clients receive: a nurse to provide wellness education and medication management

support; a social worker whose main focus is to support and educate the families of our clients and a dietician who helps clients with a variety of nutritional needs related to their illness. In the past year we also had the opportunity to see how important our new Short Stay Unit has become in the care of our clients. We have been able to see 40% of the adult clients admitted to hospital and treated them within 4 days. Not only is this a less restricting way to provide care, but it has helped to reduce the wait time for an inpatient bed.

### Surgery and Oncology Services

This program continues to be recognized as a center of excellence for minimally invasive, oncology and thoracic surgery. In 2006-2007, as part of the Toronto Central Local Health Integration Network, the program has been actively involved in the Joint Health and Disease Management strategy. A key component of the strategy is the Central Intake and Assessment Centre for patients requiring a lower limb joint replacement. SJHC is partnering with Toronto Western Hospital, Mount Sinai and Toronto East General Hospital on a new Assessment Centre at Toronto Western Hospital. The Health Centre, as a partner in the GTA Rehabilitation Network, has participated in implementing the Fractured Hip Rapid Assessment and Treatment Program this year. The Program continues to work with the Ministry of Health and Cancer Care Ontario to reduce waiting lists for persons requiring cataract surgery, hip and knee replacements and surgery for various kinds of cancers.

### Women's, Children's and Family Health Program

This program provides health care services that are family-focused, child-friendly and women-centered. Our Family Birthing Centre and Level II NICU offer a full continuum of care for women and their newborns before, during and after birth. During the 2006-2007 fiscal year, 3,331 babies were born here. Last year, the Program received approval from the Ministry of Health and Long-Term Care to establish one of the first academic interprofessional Family Health Teams in Toronto.

#### HOSPITAL OPERATIONS:

This chart includes selected metrics and the percentage increase/decrease from fiscal 2006

	2007	2006	% Change
Emergency Department Visits	81,810	75,052	9.0
Patients Brought by Ambulance	13,361	11,511	16.1
% of Emergency Department Patients Admitted	10.9	11.5	-5.3
Ambulatory Care Visits	217,097	205,811	5.5
Births	3,331	3,334	-0.1
Diagnostic Imaging Procedures	142,049	150,167	-5.4
Surgical and Procedural Cases	24,735	24,768	-0.1
Beds	376	371	1.3
Admissions	21,794	20,223	7.8
Average Length of Stay (Days)	5.7	5.8	-1.9
Occupancy Rate	88%	88%	-0.1
% of Full-Time Nurses	73%	70%	4.0
Teaching Days *	18,716	18,000	4.0

\*= 2007 is an estimate subject to confirmation by the Ministry of Health and Long-Term Care

Volumes increased from the prior year primarily due to our Post Construction Operating Plan funding received for our ambulatory services as well as increased community demand on our Emergency Department. Post Construction Operating Plan funding provides operating dollars to cover the costs of the new or expanded programs and services related to our redevelopment project. Post Construction Operating Plan funding is tied to achieving specific volumes; therefore if the volume targets are not met the Ministry can recover the funding.

# Financial Performance

## ANALYSIS OF OPERATING RESULTS

The following review of financial performance should be read in conjunction with the Audited Financial Statements that begin on page 16 of this report.

St. Joseph's Health Centre recorded an operating surplus of \$8.1 million during fiscal 2007 compared to an operating surplus of \$8.6 million in fiscal 2006. It should be noted that the operating results for fiscal 2007 include one-time amounts of \$6.9 million for Post Construction Operating Plan funds and program expansion funds received in prior fiscal years. It was expected that the Ministry would recover these funds; however, St. Joseph's was informed during fiscal 2007 that these funds would not be recovered by the Ministry.

As a public hospital in Ontario, St. Joseph's operates under the Public Hospitals Act and has an accountability relationship with the Government of Ontario through the Ministry of Health. We submit quarterly and annual reports to the Ministry.

The accounting guidelines developed by the Canadian Institute of Chartered Accountants relating to not-for-profit organizations form the basis of reporting financial information and the preparation of our financial statements included in this report. Certain types of revenues and expenses are included in the calculation of an operating surplus or deficit under generally accepted accounting principles that are not included in the calculation of an operating surplus or deficit when reporting to the Ministry. This is due to the different inclusion criteria for financial reporting to the Ministry, for example amortization of building is not included in the Ministry's definition of operating results. The following table provides a reconciliation between the consolidated audited operating results and the operating results as reported to the Ministry:

RECONCILIATION OF OPERATING RESULTS (\$ THOUSANDS)		
	2007	2006
<b>Excess of Revenues Over Expenses for the Year</b>	<b>8,062</b>	<b>8,591</b>
Amortization of Building	5,944	5,508
Amortization of Capital Contributions Received for Building	(2,208)	(2,123)
Interest on Long-Term Debt	279	308
<b>Excess of Revenues Over Expenses for Ministry Reporting</b>	<b>\$12,077</b>	<b>\$12,284</b>

## REVENUE ANALYSIS BY SOURCE

The following is the breakdown of the funding received from various sources during the year:

REVENUE ANALYSIS BY SOURCE (\$ MILLIONS)				
	2007	2006	\$ Change	% Change
Ministry of Health:				
- Operating Grants	185.9	176.9	9.0	5.1
- Other Votes	4.8	4.5	0.3	6.7
Patient Revenue from Other Payers	14.7	13.0	1.7	13.1
Preferred Accommodation and Co-payment revenue	2.5	2.4	0.1	4.2
Other Income	18.4	14.2	4.2	29.6
Amortization of Deferred Capital Contributions	4.8	4.6	0.2	4.4
	<b>\$231.1</b>	<b>\$215.6</b>	<b>\$15.5</b>	<b>7.2</b>

### Ministry of Health - Operating Grants

Operating grants are comprised of both unrestricted and volume-based funding. Unrestricted funding is not tied to volumes or specific outcomes and is usually adjusted annually for inflation. Volume-based funding includes specific funding for priority programs such as chronic kidney disease, pacemaker implants. In more recent years volume-based funding has grown to include wait-time strategy funding for procedures such as hip and knee implants, cataract surgeries, MRI scans and Cancer Care Ontario programs.

### Ministry of Health - Other Votes

In addition to the operating grants, the Ministry provides funding through other streams such as other votes. Other votes are special programs (primarily mental health related) that are separately funded on a cost reimbursement basis up to the approved annual budget by the Ministry. They are distinct from other hospital operations in that any funds provided for these programs are recovered by the Ministry if unspent during the year. The revenue from other votes was \$4.8 million in 2007, a \$0.3 million increase from the prior year. The increase is related to increased funding for Withdrawal Management and Community Mental Health Programs.

### Patient Revenues from Other Payers

This revenue includes billings to the Ontario Health Insurance Plan for diagnostic procedures (e.g. X-Rays), the Workplace Safety and Insurance Board for hospital treatment related to workplace injuries, billings to other provincial health ministry for out-of-province patients, revenue from the federal government for qualifying refugees, and billings to patients or insurance companies for non-residents of the country.

Patient Revenue from Ontario Health Insurance Plan during fiscal 2007 was \$11.0 million, an increase of \$1.2 million from the prior year. The increase in revenue from the prior year relates to Ministry changes that required all hospitals to commence billing for all inpatient diagnostic fee services. Other patient revenues increased by \$0.5 million from the prior year primarily due to out-of-province patients and billings to the Workplace Safety and Insurance Board.

### Preferred Accommodation and Co-Payment Revenues

This revenue related to billings to patients or insurance companies for requested semi-private or private rooms. Revenue increase by \$0.1 million from the prior year.

### Other Income

Other income is comprised of a number of miscellaneous sources of income. This includes items such as revenue from commercial operations, reimbursements from Cancer Care Ontario for chemotherapy drugs, investment income earned, cafeteria revenues, amounts received for research & education and all other sources of revenue not directly related to patient care. Other income increased by \$4.2 million from the prior year due primarily to interest income, related to substantial increase in available cash, increased reimbursements from Cancer Care Ontario and a significant rebate from the Workplace Safety and Insurance Board.

### Amortization of deferred capital contributions

Contributions received for capital additions to building and equipment from external sources, such as the Ministry and the Foundation, are amortized into income on a similar basis to the amortization of the related assets. Amortization of these capital contributions increased by \$0.2 from the prior year.

## REVENUE ANALYSIS BY SOURCE - Foundation Support

During fiscal 2007, the Foundation provided grants of \$1.8 million to support redevelopment efforts underway at St. Joseph's. In addition, another \$0.4 million was received for support of non-capital initiatives, such as education and program specific projects. The Foundation continues to concentrate its attention on building long-term relationships with donors that will secure ongoing philanthropic support for key Health Centre improvements and projects.

## EXPENSE ANALYSIS- Total Compensation Expenditures

At the end of March 2007 the Health Centre employed approximately 2,400 staff of which approximately 70% were unionized and covered by collective agreements with three unions: Canadian Union of Public Employees, Ontario Nurses Association, and Brewery General and Professional Workers Union. Total compensation expenses represent approximately 70% of the total expenditures of St. Joseph's. The changes in compensation from the prior year are shown below:

TOTAL COMPENSATION EXPENDITURES (\$ MILLIONS)				
	2007	2006	\$ Change	% Change
Salaries and Wages	109.2	102.3	6.9	6.7
Benefits	26.3	23.1	3.2	13.9
Medical Staff Remuneration	15.6	13.9	1.7	12.2
	<b>\$151.1</b>	<b>\$139.3</b>	<b>\$11.8</b>	<b>8.5</b>

## EXPENSE ANALYSIS- Total Compensation Expenditures continued ...

### Salaries and Wages

Salaries and wages accounted for 51% of total hospital expenses and increased by 6.7% from the prior year. Factors involved in this increase include:

- Cost of living increases as per union settlements and non-union salary adjustments, including increases due to external market factors. Overall inflationary increases approximated 3% for the organization.
- Overall full-time equivalent staff increased by approximately 70 or 4%, due to investments in the Emergency Department, the filling of vacant positions and Post Construction Operating Plan expansion initiatives in our ambulatory care clinics.

### Benefits

Benefit costs include government deductions such as employment insurance and Canada pension plan amounts. Other benefits, for example retirement benefits, long-term disability, and dental coverage, are also a significant component of benefit costs of the organization. Benefits increased by 13.9% from the prior year primarily due to an increase of \$1.9 million in actuarially determined pension costs and increases connected to increases in salary and wages expenses.

### Medical Staff Remuneration

Costs increased by \$1.7 million or 12.2% from the prior year. The increase included approximately \$1.1 million as a result of increased payments to physicians in the Hospital On-Call Program which is funded by the Ministry of Health.

## EXPENSE ANALYSIS - Other Non-Compensation Expenditures

### OTHER NON-COMPENSATION EXPENDITURES (\$ MILLIONS)

	2007	2006	\$ Change	% Change
Medical and Surgical Supplies	13.6	12.7	0.9	7.1
Drugs and Medical Gases	9.8	9.4	0.4	4.3
Other Supplies and Expenses	29.8	27.3	2.5	9.1
Other Votes	4.9	4.5	0.4	9.0
Amortization of Property, Plant and Equipment	13.6	13.3	0.3	2.3
Interest on Long-Term Debt	0.3	0.3	-	-
	<b>\$72.0</b>	<b>\$67.5</b>	<b>\$4.5</b>	<b>6.7</b>

### Medical and Surgical Supplies

Costs increased from the prior year by \$0.9 million or 7.1%. The increase was primarily due to increased costs in order to fulfill Provincial Wait-time Strategies such as hip and knee replacement and cataract surgeries.

### Drugs and Medicines

Costs increased by \$0.4 million primarily due to additional expenditures in chemotherapy drugs that are reimbursed by the Ministry.

### Other Supplies and Expenses

Costs in this category include many miscellaneous items such as:

- Laboratory supplies
- Utilities
- Insurance
- Professional Fees and Membership dues
- Equipment and software maintenance, and
- Minor renovations

Expenses increased by \$2.5 million mostly due to utility cost increases, increases for equipment and software maintenance, minor renovations and insurance premiums.

### Other Votes

Other votes expenditures are comprised primarily of staff compensation, approximately 90%. Costs increased from the prior year by \$0.4 million, as the Ministry provided new funding to enhance services in both Community Mental Health and Withdrawal Management.

### Amortization of Equipment

Costs increased by \$0.3 million from the prior year, which was as a result of additional amortization for capital expenditures incurred during the current year.

## EXPENSE ANALYSIS- Value for Money

St. Joseph's Health Centre continues to participate in a number of initiatives aimed at delivering efficient, effective and economical services. These initiatives include [shared laundry services](#), [group purchasing](#) and [integrated back office services](#).

[Shared laundry services](#) are provided by Booth Centennial Healthcare Linen Services, a not-for-profit entity owned and operated by 23 hospitals. Employing 500 staff and processing 22 million kilograms of laundry annually, this shared laundry service was expanded and merged in 1995. Shared laundry services was one of the first horizontal integration efforts in Ontario and there are now four shared laundries serving Ontario hospitals.

[Group purchasing](#) is through membership in HealthPRO Procurement Services, which is a national group purchasing organization with purchasing volumes of \$600 million annually. Participation in HealthPRO contracts allows its members the benefits of the lowest commodity pricing for the highest quality products, the ability for clinical input and for annual dividend returns.

**Integrated back office services** involve 12 hospitals who have formed Plexxus (formerly Hospital Business Services). Through this organization the goal is to transform the non-clinical, business office functions in member hospitals in two phases. Phase 1 of this transformation began on April 1, 2006 and involves the integration of supply chain operation (contract management, warehousing, logistics, etc.). The second phase will focus on providing transactional financial and human resource services to member hospitals and will involve a significant investment in information technology to benefit all members. Funding for this initiative includes an investment by the participating hospitals of \$7.0 million and an investment of \$22.0 million by the government of Ontario.

## ANALYSIS OF WORKING CAPITAL

St. Joseph's Health Centre ended fiscal 2007 with working capital of \$18.7 million and represents an increase of almost \$10 million from the prior year. This working capital position results in a current ratio of 1.6, up from 1.3 at the end of the prior year.

Working capital refers to the cash the organization requires for day-to-day operations. Changes in working capital affect our ability to fund operations and meet capital requirements and obligations. By understanding the changes in working capital items, it can help to provide a picture of how working capital is being managed.

WORKING CAPITAL (\$ THOUSANDS)			
	2007	2006	Change
Current Assets	50,878	41,949	8,929
Current Liabilities	32,185	33,211	(1,026)
<b>Working Capital</b>	<b>18,693</b>	<b>8,738</b>	<b>9,955</b>
<b>Current Ratio</b>	<b>1.6</b>	<b>1.3</b>	

The major changes in working capital were in cash and short-term investments, accounts payable and accrued liabilities, due to Ministry of Health and Long-Term Care and deferred revenue.

### Cash and Short-Term Investments

Increased by \$8.0 million due primarily to the surplus achieved during the year.

### Accounts Payable and Accrued Liabilities

Increased by \$4.5 million from the prior year. The increase is due to higher trade payables and construction liabilities than in the prior year.

### Due to the Ministry of Health and Long-Term Care

Decreased by \$1.3 million due to the recognition of amounts previously expected to be recovered by the Ministry for not achieving Post Construction Operating targets in 2006.

### Deferred Revenue

Decreased by \$4.9 million due to the recognition of amounts previously expected to be recovered by the Ministry for not achieving Post Construction Operating targets in 2006.

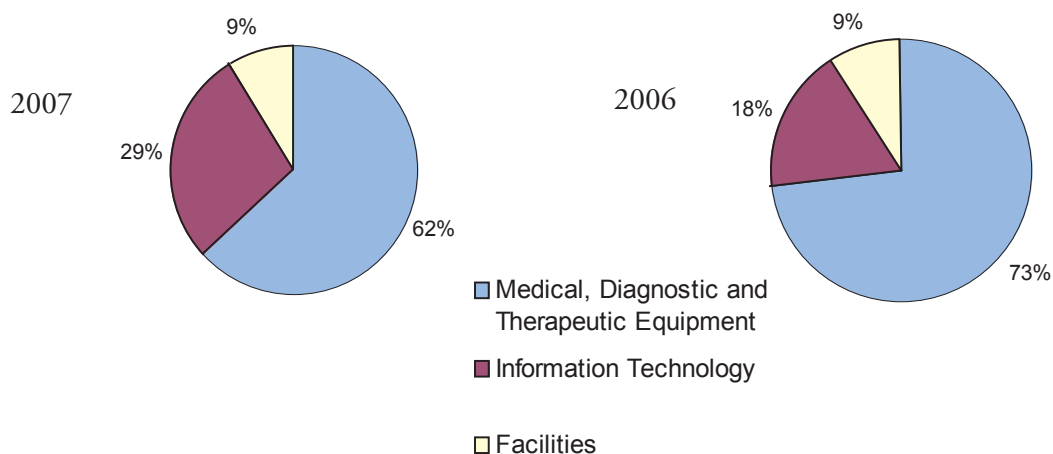
Other detailed changes in working capital can be found in note 14 of the audited financial statements.

# Capital Expenditures

Capital expenditures are financed through cash generated from operations and grants from the Ministry and St. Joseph's Health Centre Foundation. Total capital additions during fiscal 2007 were \$9.0 million which included \$1.6 million spent on the redevelopment project related primarily to demolition costs for the Early Works/Parking Garage phase of the project. The following table present the major categories of equipment purchased for each of fiscal 2007 and fiscal 2006:

## TOTAL CAPITAL EXPENDITURES - EXCLUDING REDEVELOPMENT (\$ THOUSANDS)

	2007	2006
Medical, Diagnostic and Therapeutic Equipment	4,664	7,206
Information Technology	2,127	1,837
Facilities	645	891
<b>Total</b>	<b>\$7,437</b>	<b>\$9,934</b>



# Managing For Performance

Management identified four key result areas in which we needed to be successful in achieving our Mission:

1. Outstanding Quality and Service - a superior patient care experience
2. Dynamic Environment - a great place to work
3. Effective Linkages - a valued partner
4. Excellent Performance - a highly efficient and effective hospital

Based on these key result areas we identified the following strategic goals:

- To be known as a leader in patient experience of care (access, patient flow, and service) for community teaching hospitals
- To be the “workplace of choice” and known for personal and professional growth, team excellence, academic achievements and state-of-the-art facilities
- To be known as a leader in effective linkages and partnerships that foster a healthier community
- To be known for the innovative use of resources while maintaining responsible fiscal management

The preceding goals drive our annual operating objectives and are the basis on which we monitor organizational and operational performance. For each strategic goal, performance indicators/measures have been identified for tracking at a corporate and operating level.

The second dimension of managing for performance relates to the Accountability Agreement we signed with the Ministry for the fiscal periods 2006 and 2007.

The Board and management of St. Joseph's Health Centre have agreed to fulfill all of the terms of the agreement to ensure that we operate in the most effective and efficient manner. We have also committed to continuously improve our performance in order to deliver high-quality and timely service to our patients. Under the terms of the agreement the hospital agrees to operate at the performance standard or within the performance standard range for each indicator, to use the funding in accordance with the terms of the agreement, and to report results quarterly and annually.

## PERFORMANCE STANDARDS

Indicator	Performance Standard
Total Margin	0
Current Ratio	0.90 - 1.10
% of Full-Time Nurses	69%
Relative Acute Length of Stay	0.9 - 1.1
Relative Total Length of Stay	0.9 - 1.1
Relative Risk of Readmission	< 1.1



# Financial Statements

APRIL 2006 - MARCH 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

(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
	<b>1,440</b>	6,182
Other	808	973
	<b>2,248</b>	7,155

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>
<hr/>			
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
<hr/>			
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)
<hr/>			
Employee future benefits liability	2,316	2,642	4,958
<hr/>			
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)
<hr/>			
Employee future benefits - End of year	2,316	2,642	4,958
<hr/>			
Benefits paid to beneficiaries during the year	12,224	171	12,395
<hr/>			
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.

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

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

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

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

# 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
	<b>42,331</b>	<b>34,291</b>

### 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

March 31, 2007

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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.