

St. Joseph's Health Centre

Financial Statements
March 31, 2010

May 14, 2010

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 Deloitte & Touche 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.

Auditors' Report

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

We have audited the statement of financial position of St. Joseph's Health Centre (the "Health Centre") as at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 14, 2010

St. Joseph's Health Centre

Statement of Financial Position

As at March 31, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash	14,441	21,562
Short-term investments	30,192	29,903
Accounts receivable (note 4)	6,859	5,105
Inventories	2,700	2,827
Prepaid expenses	2,741	2,548
Total current assets	56,933	61,945
Cash and investments - restricted for redevelopment	16,546	22,489
Property, plant and equipment (note 5)	120,486	108,039
Total assets	193,965	192,473
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	17,096	14,897
Accrued salaries and employee deductions	10,510	10,041
Accrued vacation and sick leave benefits	6,736	6,195
Current portion of long-term debt (note 6)	759	723
Due to Ministry of Health/Toronto Central LHIN	3,703	1,959
Deferred revenue	2,296	2,204
Total current liabilities	41,100	36,019
Long-term debt (note 6)	2,581	3,340
Employee future benefits (note 7)	2,513	5,284
Provision for sick leave benefits	564	681
Deferred capital contributions (note 8)	60,412	59,795
Total liabilities	107,170	105,119
Net assets		
Invested in property, plant and equipment (note 9 (a))	76,620	70,733
Unrestricted	10,175	16,621
Total net assets	86,795	87,354
Total liabilities and net assets	193,965	192,473

Contingencies and commitments (note 13)

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, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Revenues		
Ministry of Health/Toronto Central LHIN		
Grants	200,365	195,150
Other votes and programs	5,430	5,468
Patient revenue from other payers	20,839	20,247
Commercial operations	5,148	5,062
All other income	12,521	13,504
Amortization of deferred capital contributions related to equipment	1,968	2,037
	<hr/> 246,271	<hr/> 241,468
Expenses		
Salaries, wages and employee benefits	173,263	170,021
Medical and surgical supplies	14,904	14,360
Drugs and medical gases	11,154	11,379
Other supplies and expenses	31,950	30,378
Other votes and programs	5,430	5,468
Amortization of equipment	6,965	7,406
	<hr/> 243,666	<hr/> 239,012
Surplus for the year before the undernoted items	2,605	2,456
Amortization of deferred capital contributions related to buildings and building equipment	2,970	2,894
Less: Amortization of buildings and building equipment	(6,095)	(5,690)
Less: Interest on long-term debt (note 6)	(61)	(355)
	<hr/> (581)	<hr/> (695)
Deficit for the year	(581)	(695)

St. Joseph's Health Centre

Statement of Changes in Net Assets

For the year ended March 31, 2010

(in thousands of dollars)

			2010	2009
	Invested in property, plant and equipment \$	Unrestricted \$	Total \$	Total \$
Net assets - Beginning of year	70,733	16,621	87,354	87,953
Surplus (deficit) for the year	(8,122)	7,541	(581)	(695)
Reclassification adjustment for gains on available for sale investments recognized during the year, previously included in net assets	-	(89)	(89)	-
Unrealized gain on available for sale investments	-	111	111	96
Net change in net assets invested in property plant and equipment (note 9 (b))	14,009	(14,009)	-	-
Net assets - End of year	76,620	10,175	86,795	87,354
Unrealized gains on available for sale investments included in net assets – End of year	-	118	118	96

St. Joseph's Health Centre

Statement of Cash Flows

For the year ended March 31, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Deficit for the year	(581)	(695)
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	13,060	13,096
Pension and other post-employment benefits expense	6,125	7,151
Amortization of deferred capital contributions	(4,938)	(4,931)
Net change in sick leave provision	(117)	(92)
Net change in non-cash working capital balances (note 10)	(3,869)	(713)
Cash provided by operating activities	9,680	13,816
Investing activities		
Net decrease in cash and investments - restricted for redevelopment	5,943	5,546
Purchase of property, plant and equipment (net of change in accounts payable related to purchase of property plant and equipment of \$7,066 (2009 - \$3,719))	(18,441)	(11,534)
Cash used in investing activities	(12,498)	(5,988)
Financing activities		
Contributions received for capital purposes	5,260	3,426
Interest earned on cash and investments - restricted for redevelopment	56	455
Employer pension and other post-employment benefits contributions	(8,896)	(7,867)
Principal repayments on long-term debt	(723)	(688)
Cash used in financing activities	(4,303)	(4,674)
Change in cash during the year	(7,121)	3,154
Cash - Beginning of year	21,562	18,408
Cash - End of year	14,441	21,562
Supplemental disclosure:		
Interest paid	182	215

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(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, 2010

(in thousands of dollars)

3 Summary of significant accounting policies

A summary of the significant accounting policies is as follows:

Change in accounting policies

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Health Centre accounts for its transactions but has resulted in a change in presentation on the statement of cash flows.

On April 1, 2009, the Health Centre adopted the amendments made to CICA Handbook Section 1000, "Financial statements concepts". The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as an asset. The adoption of these amendments has not resulted in any change in how the Health Centre accounts for its transactions.

In January 2009, the Emerging Issues Committee ("EIC") issued the EIC-173, "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the Health Centre's financial assets and liabilities, or its net assets.

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 Service Accountability Agreement with 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.

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

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 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 are primarily comprised of money market mutual funds. Investments restricted for redevelopment are recorded as cash and investments - restricted for redevelopment.

Inventories

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

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

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 contribution. 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.

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, 2008. The next actuarial valuation is expected no later than January 1, 2011.

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

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, investments, accounts receivable, accrued salaries and employee deductions, accrued vacation and sick leave benefits, accounts payable and accrued liabilities, long-term debt, and an interest rate swap.

Cash and the interest rate swap are classified as held for trading. Held for trading items are carried at fair value, with changes to fair value recognized in the Statement of Operations. Short-term investments have been classified as available for sale. Available for sale items are carried at fair value with changes in the fair value recognized directly in the Statement of Net Assets until they are realized through disposal or impairment. Accounts receivable, are classified as loans and receivables. Accrued salaries and employee deductions, accrued vacation and sick leave benefits, accounts payable and accrued liabilities, and long-term debt are classified as other liabilities. Items classified as loans and receivables or other liabilities are carried at amortized cost, using the effective interest method.

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 is recognized on the balance sheet as part of accounts payable and accrued liabilities. The Health Centre does not apply hedge accounting to this swap and therefore changes in the fair value of the swap from year to year are recognized through the statement of operations.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The fair value of long-term debt approximates its fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions for similar items. The fair value of investments is based on quoted bid prices. The fair value of the interest rate swap is determined using the discounted cash flow method.

As allowed under CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", the Health Centre has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Health Centre has elected to follow the disclosure requirements of the CICA Handbook Section 3861 for its financial instruments. Transaction costs related to the acquisition of sale of financial assets or liabilities are expensed as incurred.

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

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. Accounts involving significant estimates include accounts receivable, property, plant & equipment, and employee future benefits.

4 Accounts receivable

Accounts receivable consists of the following:

	2010	2009
	\$	\$
Patients and others	4,289	3,876
Ministry of Health/Toronto Central LHIN	2,561	1,094
St. Joseph's Health Centre Foundation	9	135
	<u>6,859</u>	<u>5,105</u>

5 Property, plant and equipment

Property, plant and equipment consist of the following:

	2010	2009
	\$	\$
Cost		
Land and land improvements	2,025	2,025
Buildings and building equipment	139,108	136,877
Equipment	125,480	117,171
Construction-in-progress	42,469	27,645
	<u>309,082</u>	<u>283,718</u>
Accumulated amortization		
Land improvements	544	544
Buildings and building equipment	81,853	75,758
Equipment	106,199	99,377
	<u>188,596</u>	<u>175,679</u>
	<u>120,486</u>	<u>108,039</u>

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

6 Long-term debt

The Health Centre has one long-term borrowing arrangement in an unsecured bank loan which carries a floating rate equal to the thirty-day Bankers Acceptance rate. The Health Centre has entered into an interest rate swap agreement related to this loan, whereby the floating rate is swapped for a fixed rate debt with an interest rate of 4.86% and settled on a net basis. The start date of the interest rate swap was April 26, 2004 and its maturity date is April 25, 2014. 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 (\$166) (2009 – (\$287)) was calculated using the discounted cash flow method and has been included in accounts payable and accrued liabilities on the statement of financial position and the gain on the change in fair value of \$121 (2009 - \$139) has been included with interest on long-term debt in the statement of operations. Monthly principal and interest payments are repayable over a ten-year period, due April 25, 2014.

Principal payments are due as follows:

	\$
2011	759
2012	796
2013	835
2014	876
2015	74
	<u>3,340</u>

The Health Centre has a \$10,000 unsecured, revolving demand line of credit with a Canadian bank. This line of credit had not been utilized as at March 31, 2010.

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

7 Employee future benefits

Information about the Health Centre's pension plans is calculated as at December 31, 2009 (December 31, 2008 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:

	2010		
	Pension plans \$	Post- employment benefits \$	Total \$
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	344,901	3,809	348,710
Fair value of plan assets	332,303	-	332,303
Funded status – deficit	12,598	3,809	16,407
Unamortized transitional asset	15,128	-	15,128
Unamortized actuarial (loss) gain	(26,696)	149	(26,547)
Unamortized past service costs	-	(194)	(194)
Contributions made between January 1 and March 31	(2,281)	-	(2,281)
Employee future benefits liability (asset)	(1,251)	3,764	2,513
Change in employee future benefits			
Employee future benefits - Beginning of year	1,903	3,381	5,284
Benefit expense for the year	5,643	482	6,125
Employer contributions	(8,797)	(99)	(8,896)
Employee future benefits - End of year	(1,251)	3,764	2,513
Benefits paid to beneficiaries during the year	15,781	99	15,880
Components of benefit expense for the year			
Current service cost	5,859	112	5,971
Interest cost	21,337	220	21,557
Expected return on plan assets	(18,424)	-	(18,424)
Amortizations	(3,129)	150	(2,979)
Benefit expense for the year	5,643	482	6,125

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

			2009
	Pension plans \$	Post- employment benefits \$	Total \$
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	276,871	3,133	280,004
Fair value of plan assets	281,656	-	281,656
Funded status – (surplus) deficit	(4,785)	3,133	(1,652)
Unamortized transitional asset	18,155	-	18,155
Unamortized actuarial (loss) gain	(9,465)	620	(8,845)
Unamortized past service costs	-	(372)	(372)
Contributions made between January 1 and March 31	(2,002)	-	(2,002)
Employee future benefits liability	1,903	3,381	5,284
Change in employee future benefits			
Employee future benefits - Beginning of year	2,852	3,148	6,000
Benefit expense for the year	6,774	377	7,151
Employer contributions	(7,723)	(144)	(7,867)
Employee future benefits - End of year	1,903	3,381	5,284
Benefits paid to beneficiaries during the year	14,243	144	14,387
Components of benefit expense for the year			
Current service cost	12,363	94	12,457
Interest cost	19,456	161	19,617
Expected return on plan assets	(21,965)	-	(21,965)
Amortizations	(3,080)	122	(2,958)
Benefit expense for the year	6,774	377	7,151

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

The significant actuarial assumptions adopted in measuring the Health Centre's accrued benefit obligations for the defined benefit plans are as follows:

	2010 %	2009 %
Discount rate	6.75%	7.50%
Expected return on plan assets	6.50%	6.50%
Range for age related compensation increases	6.05% - 2.65%	6.25% - 2.85%

The expected annual increase in medical and dental costs applicable to the post-employment benefits was 9.0% at the end of 2010 decreasing over twenty 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, 2008 and indicated a surplus of \$29,407. Actuarial valuations for funding purposes use different assumptions from those required for financial statement disclosure.

8 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.

			2010	2009
	Foundation \$	Ministry of Health / Toronto Central LHIN \$	Total \$	Total \$
Balance - Beginning of year	9,434	50,361	59,795	60,493
Contributions received	1,471	3,789	5,260	3,426
Amounts transferred from deferred revenue	-	239	239	352
Interest income earned	-	56	56	455
Amounts amortized into revenue	(1,020)	(3,918)	(4,938)	(4,931)
Balance - End of year	9,885	50,527	60,412	59,795

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

9 Net assets invested in property, plant and equipment

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

	2010	2009
	\$	\$
Property, plant and equipment, net	120,486	108,039
Add cash and investments - restricted for redevelopment	16,546	22,489
Less amounts funded by deferred contributions	(60,412)	(59,795)
	<u>76,620</u>	<u>70,733</u>

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

	2010	2009
	\$	\$
Purchase of property, plant and equipment	25,507	15,122
Amounts funded by deferred capital contributions	(5,499)	(3,778)
Change in cash and investments - restricted for redevelopment	(5,999)	(6,001)
	<u>14,009</u>	<u>5,343</u>

10 Statement of cash flows

The changes in working capital items are as follows:

	2010	2009
	\$	\$
Short-term investments (net of change in unrealized gains of \$22 (2009 - \$96))	(267)	2,328
Accounts receivable	(1,754)	2,351
Inventories	127	205
Prepaid expenses	(193)	(734)
Accounts payable and accrued liabilities	(4,867)	(5,600)
Accrued salaries and employee deductions	469	(1,402)
Accrued vacation and sick leave benefits	541	382
Due to Ministry of Health/Toronto Central LHIN	1,744	876
Deferred revenue (net of amounts transferred to deferred capital contributions of \$239 (2009 - \$352))	331	881
	<u>(3,869)</u>	<u>(713)</u>

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

11 Related party transactions

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

	2010	2009
	\$	\$
Capital donations received from the Foundation	1,471	1,089
Non-capital donations received from the Foundation	177	237
Donations from the Health Centre gift shop to the Foundation	-	27

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, 2010, there is \$9 (2009 - \$135) 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.

12 Capital management

The Health Centre considers its net assets, long-term debt and deferred capital contributions as its capital.

- a) Net assets - As a not-for-profit organization, the Health Centre's operations are reliant on revenues generated annually. The Health Centre has accumulated net assets over its history to March 31, 2010 of \$86,795 (2009 - \$87,354) which are presented in the statement of financial position as net assets.

The majority of this amount relates to invested in capital assets which represent accumulated net assets which have been dedicated to the Health Centre's capital asset acquisitions and redevelopment.

Unrestricted net assets represent capital that may be utilized for general Health Centre operations, a portion of which is retained for working capital.

St. Joseph's Health Centre

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March 31, 2010

(in thousands of dollars)

- b) Long-term debt - The Health Centre has used long-term debt to enhance its working capital position. At March 31, 2010 the Health Centre was in compliance with all covenants applicable to its debt instruments.
- c) Deferred capital contributions - Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2010, the Health Centre was in compliance with all restrictions applicable to these funding sources.

13 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, 2010.

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, 2010.

- 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:

	\$
2011	530
2012	495
2013	399
2014	392
2015	396
Thereafter	3,367
	<u>5,579</u>

St. Joseph's Health Centre

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

- d) The Health Centre has outstanding contractual commitments for capital expenditures amounting to approximately \$52,950. The majority of this commitment is related to the Health Centre's contract for the construction of the new patient care wing.

14 Financial instruments and risk management

The Health Centre, through its exposure to financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk and credit risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Health Centre. The Health Centre has policies that establish thresholds on concentration of investment holdings, minimum credit ratings and varying terms of the securities held.

Interest rate risk also arises from the impact of changes in interest rates and the resulting impact on long-term debt and the fair value of the interest rate swap. The long-term debt bears interest at a floating rate, however the rate is fixed through an interest rate swap. Consequently, the cash flow exposure is not significant. However, the fair value of the interest rate swap could fluctuate because of changes in market interest rates.

Credit Risk

The Health Centre's principal financial assets are cash, short-term investments, accounts receivable and investments restricted for redevelopment, all of which are subject to credit risk. The carrying amount of financial assets on the balance sheet represents the Health Centre's maximum credit exposure at the balance sheet date.

The Health Centre's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts, estimated by management based on previous experience and its assessment of the current economic environment. The credit risk on cash and investments is limited due to the conservative nature of the Health Centre's investment policies.

15 Comparative financial statements

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