Financial Statements of

ST. JOSEPH'S HEALTH CARE, LONDON

Year ended March 31, 2009

ST JOSEPH's HEALTH CARE LONDON

Management's Report

The accompanying financial statements of St. Joseph's Health Care, London have been prepared by Management, and approved by the Board of Directors at their meeting of May 25, 2009.

Management works with the Board of Directors to carry out its responsibility for the financial statements principally through the Resource Planning and Audit Committee. Voting membership of this Committee is comprised solely of independent volunteers possessing a high degree of financial literacy. The Resource Planning and Audit Committee meets with management and the internal and external auditors to review audit plans, and any significant accounting and auditing matters and discuss the results of audit examinations. The Resource Planning and Audit Committee also reviews the financial statements and the external auditors' report and submits its findings to the Board of Directors for their consideration in approving the financial statements.

St. Joseph's Health Care, London maintains a system of internal controls over financial reporting that is continually reviewed and improved to provide assurance that financial information is relevant and reliable, and that assets are properly accounted for and safe-guarded.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Cliff Nordal

Mr. Cliff Nordal, FCCHSE
President and CEO

J Flett

Mr. Jim Flett, CA, MBA
Integrated Executive Vice President Finance and
Chief Financial Officer

John Mockler

Mr. John Mockler, CMA, MBA
Integrated Corporate Controller

May 25, 2009

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of St. Joseph's Health Care, London as at March 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are th responsibility of St. Joseph's Health Care, London'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 Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of St. Joseph's Health Care, London as at March 31, 2009 and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

May 4, 2009

ST. JOSEPH'S HEALTH CARE, LONDON
Statement of Financial Position

As at March 31, 2009 with comparative figures for March 31, 2008
(In thousands of dollars)

		2009		2008
Assets				
Current assets:				
Cash	$	**24,312**	$	33,625
Investments (note 3)		**27,073**		38,996
Accounts receivable (note 4)		**15,936**		22,335
Prepaid expenses and other assets		**4,121**		3,736
		71,442		98,692
Restricted investments (note 3 and note 10)		**152,259**		154,412
Loan receivable from Lawson Research Institute (note 16 b)		**15,000**		-
Investment in joint ventures (note 16 c,d)		**767**		646
Capital assets (note 5)		**253,690**		221,405
	$	**493,158**	$	475,155
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	**61,667**	$	62,921
Current portion of long-term liabilities (note 7)		**490**		490
Current portion of obligation under capital lease (note 13)		**2,743**		2,570
		64,900		65,981
Long-term liabilities:				
Long-term liabilities (note 7)		**6,148**		6,259
Interest rate swap agreement (note 7d, note 15)		**168**		137
Provision for demolition (note 12)		**4,973**		4,828
Obligations under capital lease (note 13)		**4,061**		2,077
		15,350		13,301
Deferred contributions (note 8):				
Unamortized capital contributions used to purchase assets		**139,087**		108,746
Unspent capital contributions		**48,514**		61,482
Expenses of future periods		**477**		621
		188,078		170,849
Net assets:				
Invested in capital assets (note 9)		**107,946**		107,778
Restricted (note 10)		**103,268**		92,309
Unrestricted		**13,616**		24,937
		224,830		225,024
Commitments and contingencies (note 11)				
Subsequent event (note 21)				
	$	**493,158**	$	475,155

See accompanying notes to financial statements

On behalf of the Board:

Graham Porter
Chair, Board of Directors

Marcie Grail
Chair, Resource Planning and Audit Committee

ST. JOSEPH'S HEALTH CARE, LONDON
Statement of Changes in Net Assets

Year ended March 31, 2009 with comparative figures for March 31, 2008
(In thousands of dollars)

	Invested in capital assets	Restricted	Unrestricted	2009 Total	2008 Total
	(note 9)	(note 10)			
Balance, beginning of year	$ 107,778	$ 92,309	$ 24,937	$ 225,024	$ 213,745
Excess (deficiency) of revenues over expenses	(14,118)	-	13,924	(194)	11,279
Net change in invested in capital assets	14,286	(12,896)	(1,390)	-	-
Transfers to restricted	-	23,855	(23,855)	-	-
Balance, end of year	$ 107,946	$ 103,268	$ 13,616	$ 224,830	$ 225,024

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Operations

Year ended March 31, 2009 with comparative figures for March 31, 2008
(In thousands of dollars)

	2009	2008
Revenues		
Ministry of Health and Long-Term Care and Local Health Integration Network	**$ 351,071**	$ 341,792
Veterans Affairs Canada	**26,891**	27,353
Patient services	**30,701**	30,939
Other revenue	**27,535**	29,946
Amortization of deferred contributions	**14,220**	10,376
	450,418	440,406
Expenses		
Salaries and benefits	**324,042**	312,870
Supplies	**91,465**	93,350
Amortization of capital assets	**28,338**	24,810
	443,845	431,030
Excess of revenues over expenses from operations	**6,573**	9,376
Other income (expenses):		
Health Services Restructuring (note 18):		
Current expenditures	**(3,418)**	(3,513)
Ministry of Health and Long-Term Care special funding	**3,418**	3,513
Investment income	**4,665**	6,146
Unrealized investment losses	**(11,432)**	(4,243)
Excess (deficiency) of revenues over expenses	**$ (194)**	$ 11,279

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Cash Flows

Year ended March 31, 2009 with comparative figures for March 31, 2008
(In thousands of dollars)

		2009		2008
Cash provided by (used for):				
Operating activities:				
Excess (deficiency) of revenues over expenses	$	**(194)**	$	11,279
Items not involving cash:				
Amortization of capital assets		**28,338**		24,810
Amortization of deferred contributions		**(14,220)**		(10,376)
Provision for demolition		**145**		1,228
Unrealized investment losses		**11,432**		4,243
Gain on disposal of fixed assets		**(283)**		(1,077)
Change in non-cash operating working capital (note 17)		**4,933**		20,858
Net increase (decrease) in deferred contributions related to expenses of future periods		**(144)**		127
		30,007		51,092
Financing activities:				
(Decrease) increase in long-term liabilities and interest rate swap agreement		**(80)**		1,639
Decrease in obligation under capital lease		**1,984**		(720)
Deferred contributions related to capital assets		**32,013**		17,336
		33,917		18,255
Investing activities:				
Purchase of capital assets		**(61,866)**		(22,085)
Proceeds on sale of capital assets		**1,106**		1,817
Increase in loan receivable		**(15,000)**		-
Net change in investments		**491**		(24,853)
Net change in restricted investments		**2,153**		(8,720)
Net change in investment in joint ventures		**(121)**		(68)
		(73,237)		(53,909)
Net increase (decrease) in cash		**(9,313)**		15,438
Cash, beginning of year		**33,625**		18,187
Cash, end of year	$	**24,312**	$	33,625

See accompanying notes to financial statements

The financial statements of St. Joseph's Health Care, London include: St. Joseph's Hospital; Mount Hope Centre for Long-Term Care; Parkwood Hospital; Western Counties Wing; Regional Mental Health Care, London and St. Thomas; St. Joseph's Health Centre Auxiliary; and various joint ventures as described in the notes to the financial statements.

St. Joseph's Health Care, London (the "Hospital") is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care ("Ministry" and "MOHLTC") and the Local Health Integration Network ("LHIN"). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. The Ministry's stated policy is that deficits incurred by the Hospital will not be funded, and this policy has been consistently followed. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The LHIN provides operating funding including base funding, which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

In the prior year, St. Joseph's Health Care, London entered into a Hospital Accountability Agreement ("HAA") with the Ministry. This agreement sets out the rights and obligations of the two parties in respect of funding provided to St. Joseph's Health Care, London by the Ministry for each of fiscal 2008 and 2009. The HAA sets out the funding provided to St. Joseph's Health Care, London together with performance standards and obligations of St. Joseph's Health Care, London that establish acceptable performance results for St. Joseph's Health Care, London.

If St. Joseph's Health Care, London does not meet certain performance standards or obligations, the Ministry has the right to adjust some funding streams received by the Hospital. Given that the Ministry is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

1. Accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies adopted by the Hospital are summarized as follows:

(a) Revenue recognition:

The deferral method of accounting for contributions is followed.

Unrestricted contributions are recognized as revenue if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Patient and other revenues are recognized as services are provided.

(b) Investments:

Investments in joint ventures over which St. Joseph's Health Care, London has significant influence or joint control, are accounted for using the equity method. These investments include Healthcare Materials Management Services and London Laboratory Services Group.

Investments in marketable securities, government bonds, debentures and equities are recorded at market value. The investments consist of pooled equity instruments, government and corporate bonds with a minimum investment rating of A.

Investment income on unspent deferred capital contributions, if externally restricted for future use, is deferred as a component of such contributions. All other investment income is recognized as revenue when earned.

(c) Related entities:

Related entities include St. Joseph's Health Care Foundation, The Lawson Research Institute and Healthcare Materials Management Services. St. Joseph's relationship with each of these entities and the method by which they are accounted for is more fully described in note 16.

(d) Capital assets:

Capital assets are recorded at cost. Amortization of original cost and any corresponding deferred contributions are calculated on a straight-line basis using the following annual rates over the estimated useful lives of the assets:

Asset	Rate
Land improvements	4 – 20%
Buildings and building service equipment	4 – 20%
Equipment	5 – 33%

Construction in progress comprises construction and development costs and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flow, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(f) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(g) Financial instruments:

The Hospital has chosen to apply Section 3861, Financial Instruments – Disclosure and Presentation in place of CICA 3862, Financial Instruments – Disclosures and CICA 3863 – Financial Instruments – Presentation.

Financial Assets and Financial Liabilities

Under the standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Hospital's designation of such instruments. The standards require that all financial assets and liabilities be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity ("HTM"), loans and receivables or other liabilities. The standards require that all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS financial assets that do not have quoted market prices in an active market.

Classification of Financial Instruments

The Hospital has classified its financial instruments as follows:

- Cash and Investments have been designated as held-for trading ("HFT") on the basis that this most accurately reflects the nature of these items. HFT financial assets and liabilities are typically acquired for resale or settlement prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the statement of operations
- Accounts receivable have been designated as loans and receivables and are measured at amortized cost
- Interest rate swap agreement has been designated as held-for trading and are measured at fair value with realized and unrealized gains and losses included in the statement of operations
- Accounts payable and accrued liabilities, and current and long-term debt have been designated as other liabilities. After their initial fair value measurement, they are measured at amortized cost.

Transaction Costs

Transaction costs related to HFT financial assets are expensed to investment income as incurred.

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Section 3865, Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies, fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

At March 31, 2009, the Hospital is party to an interest rate swap agreement and has determined that it does not qualify for hedge accounting. Accordingly, the interest rate swap contract is marked to market with the gain or loss recorded in the statement of operations.

2. Change in Accounting Policy

(a) Capital disclosures

Effective April 1, 2008, the Hospital adopted the recommendations of CICA 1535 – Capital Disclosures, which require the disclosure of qualitative information that enables users of the financial statements to evaluate the Hospital's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 20.

(b) Future changes in accounting policies

The CICA issued amendments to section 4400 - Financial Statement Presentation for Not-For-Profit Organizations that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. The mandatory effective date is for annual periods in fiscal years beginning on or after January 1, 2009. The Hospital will begin application of this section effective April 1, 2009.

(In thousands of dollars)

3. Investments:

		2009 Market Value	2008 Market Value
Cash and cash equivalents	$	24,169	46,261
Government bonds		108,629	97,496
Debentures and other fixed income securities		22,494	17,800
Equities		24,040	31,851
		179,332	193,408
Less: Restricted investments		(152,259)	(154,412)
	$	27,073	38,996

Restricted investments represent the investment of unspent deferred contributions for expenses of future periods and capital assets, including the Unconditional Grant Initiative (note 11(a)) and other grants provided by the Ministry, as well as amounts designated by the Board for future costs contained in restricted net assets, including capital projects to support restructuring, and investments in joint ventures.

4. Accounts receivable:

		2009	2008
MOHLTC / LHIN	$	1,905	8,416
Veterans Affairs Canada		3,202	2,657
Patient and other		10,829	8,975
In-trust funds due from Lawson Research Institute (note 16(b))		-	2,287
	$	15,936	22,335

5. Capital assets:

		Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	$	7,915	—	7,915	7,915
Land improvements		4,044	2,605	1,439	1,554
Buildings and building service equipment		331,073	135,578	195,495	168,799
Equipment		185,116	136,275	48,841	43,137
	$	528,148	274,458	253,690	221,405

(In thousands of dollars)

6. Credit facilities:

The credit facilities established for St. Joseph's Health Care, London consist of an operating line of $20,000, non-revolving term installment loans of $1,623, and revolving capital expenditure credit of $10,000. Amounts were drawn on these facilities as described in note 7.

7. Long-term liabilities:

(a) Long-term liabilities at March 31 are as follows:

		2009	2008
Non-revolving, term loan bearing interest at variable rates; with monthly payments of principal and interest of $24 through to December 15, 2011, (note 7(d))	$	1,623	1,914
		1,623	1,914
Employee future benefits (note 14(b))		4,297	4,098
Accumulated sick leave entitlement (note 7(c))		718	737
		6,638	6,749
Less current portion		490	490
	$	6,148	6,259

Interest for the year on long-term liabilities was **$**115 (2008, $139).

(b) Principal payments due under various debt agreements are as follows:

2010	$	290
2011		773
2012		560
	$	1,623

(c) The accumulated sick leave entitlement reflects the remaining liability from a former plan, with changes during the year representing changes in wage rates and payouts to employees upon retirement or departure.

(In thousands of dollars)

(d) St. Joseph's Health Care, London has entered into an interest rate swap agreement on a notional principal of $1,623 as at March 31, 2009 terminating on December 15, 2011. This agreement has effectively converted variable interest rates on unsecured banker's acceptances to an effective fixed interest rate of 6.315% plus stamping fee. The fair value of the interest rate swap agreement is disclosed in note 15.

8. Deferred contributions:

(a) Capital assets:

Deferred capital contributions related to capital assets represent both the unamortized amount of grants already spent, and the unspent amount of donations and grants received for the future purchase of capital assets.

During 2001, $33,600 was received as a restricted unconditional grant from the Ministry (note 11(a)). To-date interest earned of $14,253 has been recorded as unspent contributions.

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent restricted grants and donations for research and other purposes.

9. Invested in capital assets:

Invested in capital assets at March 31 is calculated as follows:

		2009	2008
Capital assets	$	253,690	221,405
Amounts financed by:			
Deferred contributions		(139,087)	(108,746)
Deferred contributions receivable		1,938	1,817
Mortgage, banker's acceptance and equipment financing		(1,914)	(1,623)
Interest rate swap agreement		(168)	(137)
Obligation under capital lease		(6,804)	(4,647)
	$	107,946	107,778

(In thousands of dollars)

10. Restrictions on net assets:

The Board of Directors of St. Joseph's Health Care, London, have placed certain restrictions on funds to reflect the wishes of donors or to meet future needs as identified by the Board.

		2009	2008
Restricted net assets:			
Research	$	1,000	1,000
Accumulated sick leave entitlement		718	738
Employee future benefits		4,297	4,098
Provision for demolition		4,973	4,828
Capital lease obligation		22	230
Mental Health Care		18,258	19,598
Provision for future equipment and capital redevelopment		74,000	61,817
		103,268	92,309
Deferred contributions:			
Unspent contributions		48,514	61,482
Expenses of future periods		477	621
	$	152,259	154,412

11. Commitments and contingencies:

(a) Pursuant to the directives of the Ontario Health Services Restructuring Commission ("HSRC"), St. Joseph's Health Care, London has participated in the Unconditional Grant Initiative offered by the Ministry for the redevelopment of St. Joseph's Hospital and Mental Health Care. The Ministry advanced a portion of the committed funds in fiscal 2001 for St. Joseph's Hospital and Mental Health Care of $11,800 and $21,800, respectively. These advances were discounted to reflect St. Joseph's Health Care, London's ability to earn investment income on the funds prior to their expenditure. As at March 31, 2009, the accumulated interest is $4,622 and $9,631 for St. Joseph's Hospital and Mental Health Care, respectively.

(b) The HSRC directives call for the majority of acute in-patient services to be transferred to London Health Sciences Centre, such that St. Joseph's Health Care, London will become the focal point in London and region for certain ambulatory care, day surgery, rehabilitation, complex care, long-term and veterans care, and tertiary and specialized mental health services. This restructuring process will continue to be implemented in phases over a number of years.

The total required capital investment to renovate the St. Joseph's Hospital site is estimated to be $139,114. The Ministry and St. Joseph's Health Care, London have agreed to a cost sharing arrangement whereby the Ministry's share of this future investment is $120,040 with the remaining $19,074 being the responsibility of St. Joseph's Health Care, London.

As part of this future capital investment St. Joseph's Health Care, London is participating in the Alternative Financing and Procurement (AFP) program with Infrastructure Ontario. At March 31, 2008 an agreement has been reached on the sharing of the costs of the first phase of this redevelopment. Of the total costs of $40,863, the Ministry's share is $36,436 with the remaining

$4,427 being the responsibility of St. Joseph's Health Care, London. Under this agreement, financing for the redevelopment project is provided by an external lender during construction. During the year an interim payment of $27,624 was made to the external lender. The Ministry provided funding of $25,049 and the Hospital contributed $2,575. The Hospital is responsible for 10% of the remaining costs for phase one.

On May 7, 2008 St. Joseph's Health Care, London entered into a second Project Agreement to build and finance the second phase of the redevelopment described in note 11(b). The project will proceed as an alternative financing and procurement project under Infrastructure Ontario, with the Hospital and the Ministry sharing in the total project cost. Under this arrangement financing for the project is provided by an external lender during construction. Of the total costs of $63,166 the Ministry's share is $54,668 with the remaining $8,498 being the responsibility of St. Joseph's Health Care, London. Payment of the Ministry Share of $54,688 and the Hospital share of $8,498 will occur at specified intervals throughout the completion of the project. At March 31, 2009 externally financed construction costs incurred to date were $24,290. St. Joseph's Health Care, London is responsible for 10% of these costs which have been included in the Hospital's $8,498 share.

(c) St. Joseph's Health Care, London has entered into a lease with the Ontario Realty Corporation at nominal value to utilize the existing London and St. Thomas Psychiatric Hospital sites for Regional Mental Health Services until new facilities can be constructed, and services decanted to other communities as directed by the HSRC.

(d) St. Joseph's Health Care, London is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. In management's opinion, insurance coverage is sufficient to offset the cost of unfavourable settlements, if any, which may result from such claims.

(e) In the normal course of operations, St. Joseph's Health Care, London is subject to various human resource matters, including grievances filed by employees or groups of employees under Provincial legislation. Currently, no significant matters are before an arbitrator or pending resolution.

12. Provision for demolition:

The former St. Mary's Hospital has been vacant since 1997 and is fully depreciated. A provision for demolition of this property was recorded in 2002, as it was determined by the Board of Directors, that this building will no longer be used and will be torn down. This estimate is updated annually by management to account for changes in expected costs.

(In thousands of dollars)

13. Obligations under capital lease:

St. Joseph's Health Care, London has entered into the following capital lease obligations for equipment:

		2009
Year ended March 31:		
2010	$	2,529
2011		2,170
2012		1,753
2013		352
Total minimum lease payments		6,804
Less amounts representing interest at nil to 5.27%		6
Present value of net minimum lease payments		6,798
Current portion of obligation under capital lease		2,743
	$	4,055

Interest expense on the capital lease obligation in 2009 was $19 (2008, $48).

14. Employee future benefits:

(a) Pension plan

Substantially all full time employees of St. Joseph's Health Care, London are members of the Hospitals of Ontario Pension Plan. This Plan is a multi-employer, defined benefit pension plan.

Employer contributions to the Plan on behalf of employees amounted to $20,504 (2008, $19,315). The most recent actuarial valuation for accounting purposes completed by the HOOPP as at December 31, 2008, disclosed a smoothed assets value of $30,261,000 with accrued going concern liabilities of $31,244,000 resulting in a going concern deficit of $983,000.

(b) Other employee future benefits:

The non-pension post retirement benefit plan is a defined benefit plan funded on a cash basis by contributions from St. Joseph's Health Care, London.

The net expense for St. Joseph's Health Care, London's benefit plan, which is included in salaries and benefits expenses in the statement of operations for the year ended March 31, is as follows:

(In thousands of dollars)

		2009	2008
Current service costs	$	166	131
Interest cost		177	166
Amortization of transitional obligation		43	43
Amortization of past service cost		247	247
Amortization of net actuarial gain		(434)	(119)
Net benefit plan expense	$	199	468

Information about St. Joseph's Health Care, London's accrued non-pension benefits liability as at March 31, is as follows:

		2009	2008
Accrued benefit obligation	$	(5,354)	(4,918)
Unamortized transitional obligation		245	288
Unamortized past service cost		1,535	1,782
Unamortized net actuarial gain		(723)	(1,249)
	$	(4,297)	(4,098)

The current portion of employee future benefits is included in accounts payable and current liabilities.

The significant actuarial assumptions adopted in measuring the St. Joseph's Health Care, London's accrued non-pension benefit obligations as of March 31, are as follows:

	2009	2008
Discount rate	7.5%	6.2%
Health cost trends:		
Initial rate	8.0%	8.5%
Ultimate rate	5.0%	5.0%
Year ultimate rate reached	2016	2016

Other information about St. Joseph's Health Care, London's non-pension defined benefit plans for the year ended March 31 is as follows:

		2009	2008
Employer contributions	$	303	84
Benefits paid	$	303	84

St. Joseph's Health Care, London has adopted a practice of tri-annual valuations, with extrapolation of results in the interim years. The most recent actuarial valuation was completed as at March 31, 2009.

(c) Employee benefit continuance

In 2009, certain employees subject to layoff have been granted future benefits for a pre-determined period and of a pre-determined nature, subject to the provisions of the relevant collective agreements. These benefits include salary plus benefits continuance, and education support.

15. Fair value of financial instruments:

The fair market value of the interest rate swap agreement described in note 7(d) is $1,623 and the unrealized loss that would have been realized had the agreement been terminated on March 31, 2009, is $168 (2008, loss of $137) and has been recorded as part of unrealized investment losses in the statement of operations.

The fair values of all other monetary assets and liabilities approximate their carrying values in the balance sheet due to the short-term nature of the instruments, or due to the interest rate charged being similar to year-end market rates.

The Hospital is subject to market risk, foreign exchange risk and interest rate risk with respect to its investment portfolio. Changes to market conditions or interest rates could cause unanticipated fluctuations in operating results. The Hospital does not use derivative instruments to reduce its exposure to foreign currency risk. Changes in foreign exchange rates between the Canadian and United States dollars could cause unanticipated fluctuations in the operating results. To manage the risks identified for the investment portfolio, the Hospital has an investment policy setting out a target mix of investments designed to provide optimal long-term rate of return within reasonable risk tolerances. The investment policy is renewed on an ongoing basis and changed as necessary.

16. Related entities:

(a) St. Joseph's Health Care Foundation

St. Joseph's Health Care Foundation of London ("Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation was established on April 1, 2005 as the result of the amalgamation of the former St. Joseph's Health Care Foundation of London and Parkwood Hospital Foundation of London, Ontario. The Foundation uses its resources to support research and education initiatives, to pilot new and innovative programs, and for the purchase of specialized equipment at all sites of St. Joseph's Health Care, London. The Foundation also subsidizes the growth of community outreach programs. During the year ended March 31, 2009, the Foundation provided St. Joseph's Health Care, London donations totaling $6,365 (2008, $1,355).

The net assets and results of operations of the Foundation are not included in these financial statements.

(In thousands of dollars)

(b) Lawson Research Institute

On June 26, 2000, the Lawson Research Institute ("LRI") entered into an agreement with St. Joseph's Health Care, London, London Health Sciences Centre, and the London Health Sciences Centre Research Inc., to form an alliance to conduct all research activities as the Lawson Health Research Institute. Each venture continues to account for their costs independently. The LRI is not consolidated in these statements.

The following information is from the financial statements Lawson Research Institute at March 31:

		2009	2008
Total assets	$	27,248	11,908
Total liabilities, deferred contributions		27,259	11,086
Net assets		(11)	822
Revenues		13,934	13,515
Expenses		14,768	13,620
Excess of revenues over expenses		(834)	(105)
Cash flows:			
Operating		1,536	7
Financing and investing		(825)	(180)
Net increase (decrease)	$	711	(173)

Deferred contributions of $9,848 (2008, $7,750) related to expenses of future periods represent unspent deferred contributions for research capital.

LRI operates in space owned and supported by St. Joseph's Health Care, London. St. Joseph's Health Care, London is responsible for maintenance and utility costs.

LRI transfers funds to St. Joseph's Health Care, London on an annual basis to cover the reimbursement of construction costs, interest on funds advanced and the LRI's portion of purchased equipment. Transfers during 2009 were $4,876 (2008, $6,402).

During the year LRI made payments of $211 (2008, $601) to St. Joseph's Health Care, London for sharing of infrastructure support.

During the year the Hospital entered into a long-term loan agreement with LRI for $15,000, repayable on March 31, 2014. This loan is non-interest bearing and has been provided to LRI for investment purposes only. The fair value of this loan is not readily determinable due to the related party nature of this financial instrument.

(In thousands of dollars)

(c) Healthcare Materials Management Services

St. Joseph's Health Care, London and London Health Sciences Centre are partners in an unincorporated joint venture, Healthcare Materials Management Services ("HMMS"). HMMS consolidates purchasing, warehousing, distribution and payment processing functions and provides similar services to other healthcare institutions. St. Joseph's Health Care, London accounts for its interest in the joint venture using the equity method of accounting.

St. Joseph's Health Care, London's share in HMMS is as follows:

		2009	2008
Total assets	$	8,406	5,927
Total liabilities, deferred contributions		8,076	5,622
Net assets		330	305
Revenues		1,863	1,930
Expenses		1,906	1,959
Deficiency of revenues over expenses		(43)	(29)
Cash flows:			
Operating		(29)	(526)
Financing and investing		-	446
Net increase	$	(29)	(80)

HMMS incurred a loss of $174 (2008, $115) during the year, which is equal to the amortization of capital assets recorded during the year. During the year, St. Joseph's Health Care, London contributed $51 towards a capital equipment investment of $207.

HMMS has bank credit facilities consisting of a $10,000 operating line of credit and a $415 term loan. As at March 31, 2009, HMMS had not drawn on its operating facility. St. Joseph's Health Care, London has provided a guarantee for up to $2,478 in support of these credit facilities.

The net investment in HMMS at March 31, 2009 is $378, (2008, $353).

(d) London Laboratory Services Group

On December 1, 2000, St. Joseph's Health Care, London and London Health Sciences Centre entered into a joint venture to consolidate all laboratory services under London Laboratory Services Group ("LLSG"). St. Joseph's Health Care, London accounts for its interest in the joint venture using the equity method of accounting.

(In thousands of dollars)

St. Joseph's Health Care, London's share in LLSG is as follows:

		2009	2008
Total assets	$	509	497
Total liabilities, deferred contributions		124	171
Net assets		385	396
Revenues		9,674	10,443
Expenses		9,778	10,563
Deficiency of revenue over expenses	$	(104)	(120)

The LLSG incurred a loss of $602 (2008, $615) during the year, which is equal to the amortization of capital assets recorded during the year. During the year, St. Joseph's Health Care, London contributed $199 towards a capital equipment investment of $1,149.

The net investment in LLSG at March 31, 2009 is $388 (2008, $293).

(e) Regional Shared Services

St. Joseph's Health Care, London has entered into a joint venture with the Thames Valley Hospital Planning Partnership ("TVHPP") and other regional hospitals to develop and operate a shared electronic health information management system - Regional Shared Services ("RSS"). An agreement was executed by all involved hospitals in order to outline the rights, obligations and duties of each joint venture ("JV") partner. The Hospital has an economic interest in the JV and pays to the JV its share of capital, staffing, and operating costs incurred. The Hospital accounts for the joint venture using the equity basis of accounting.

17. Change in non-cash operating working capital:

The change in non-cash operating working capital is comprised of the following:

		2009	2008
Accounts receivable	$	6,399	13,540
Prepaid expenses and other assets		(385)	(308)
Accounts payable and accrued liabilities		(1,254)	
9,746			
Current portion of long-term liabilities		-	(1,914)
Current portion of obligation under capital lease		173	(206)
	$	4,933	20,858

18. Health services restructuring:

St. Joseph's Health Care, London incurs non-operating costs to achieve the directives of the HSRC. Related funding from the Ministry is received to offset these costs. Funding received for 2009 is $3,418 (2008, $3,513).

19. In-trust funds:

St. Joseph's Health Care, London holds funds in trust for certain patients and custodial fund accounts for various programs within the Hospital. The balances of these funds at March 31, 2009 total $1,208 (2008, $1,316) and are not included in the financial statements of the Hospital at March 31, 2009 as it does not have legal rights and obligations to this cash.

20. Capital management:

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Hospital has a line of credit of $20,000 that is available for use when sufficient cash flow is not available from operations to cover operating and capital expenditures. The Hospital will enter into long-term debt, as approved by the Board of Directors, to assist with the financing of capital assets when other sources are not available. As at March 31, 2009, the Hospital has met its objective of having sufficient liquid resources to meet its current obligations.

21. Subsequent event:

During the year, the Hospital entered into an agreement to purchase a parcel of land from London Health Sciences Center for $3,150. The transaction was completed on April 24, 2009 and the title of land transferred to the Hospital.