



ANNUAL REPORT

2006 - 2007



Our Mission

We help people to maintain and improve their health and work with them to minimize the effects of injury, disease and disability. We do this by pursuing excellence in care, research, and education in a wide range of hospital, clinic, long term and community-based settings. We work with our partners to create a better health care system.

Our Vision

A respected source of excellent health service guided by the people we serve...provided by people who care.

Our Values

Inspired by the care, creativity and compassion of our founders – the Sisters of St. Joseph, the Women's Christian Association, and the London Psychiatric Hospital and St. Thomas Psychiatric Hospital – we serve with...

Respect

Excellence

Compassion

Cover Picture: Born 12 weeks premature, baby Arden Pestowka is thriving in St. Joseph's neonatal intensive care unit shown with Susan Dale, RN.

St. Joseph's Health Care, London

St. Joseph's Health Care, London is a major patient care, teaching and research centre with a distinguished legacy of service to London, Southwestern Ontario and the veterans of Canada, dating back more than 130 years. More than 400,000 patients annually receive care from close to 6,000 physicians and staff at St. Joseph's.

BOARD OF DIRECTORS

Paul Caplan, Chair

Sister Joan Atkinson

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Cliff Nordal

Graham Porter

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Dr. Doug Ross

David Van Trigt

Peter Whatmore

Robert Wood

Because we all
need St. Joseph's.

St. Joseph's Health Care, London

Message from Cliff Nordal, President and CEO

The dominant health needs of today and the emerging medical issues of tomorrow – no matter where you live in Canada, or how old you are, chances are St. Joseph’s is influencing the care of you and your family.

This may be a rather bold statement for an organization rooted in a more humble tradition of ministry and service. At the same time, it is important to share the impact of our mission as we continue to shed light and hope in the form of knowledge and practice, with advanced technologies and as always, responsive, compassionate care. St. Joseph’s is shaping the future of healthcare with clinical professionals and researchers who have an impact near and far.

This has been a pivotal year for St. Joseph’s care, teaching and research endeavours. The official opening of the G.A. Huot Surgical Centre and the Diagnostic Imaging Centre last June, and in September, the launch of Lawson’s Rehabilitation and Geriatric Research Centre at Parkwood Hospital are tangible signs of our diverse and exciting future.

Beyond these wonderful spaces, many other achievements were made. The Employee Workplace Survey revealed strong results in comparison with other provincial teaching hospitals and an even stronger collective commitment on our part to continue to build a high performing, highly satisfying work environment.

As highlighted in the following pages, years of funding uncertainty and operational reviews came to a generally positive conclusion with the Ministry of Health and Long Term Care. I am indebted to our clinical and support leaders for their efforts to sustain care volumes while reducing

costs through sometimes difficult staffing decisions. Together, we strive to create forward-thinking plans that permit continued investment in care, education, research and technology, while addressing today’s needs – a never-ending balancing act in the face of rising costs.

The Boards of London Health Sciences Centre and St. Joseph’s Health Care, London further leveraged the efforts to build an even stronger, integrated hospital system. A year and a half ago, I welcomed the opportunity to serve both organizations in a shared leadership arrangement. Since then, we have realigned the senior leadership structure with a focus on strengthening patient care systems, outcomes and cost performance.

Once again, London is leading the way with innovative approaches in support of Ontario’s health system transformation plans. At the same time, St. Joseph’s builds its distinct legacy, character and roles as a Catholic hospital in the spirit of community and diversity.

Distinctive roles with strong networks and partnerships – this is healthcare at its best. To the thousands of people who actively support our mission – through work, volunteerism, donations and advocacy – I say thank you for reaching out to serve others. Thank you for your spirit of giving; of community – in a year and a time like no other.



Cliff Nordal
President and CEO
St. Joseph’s Health Care, London



Message from Paul Caplan, Chair, Board of Directors

Looking back on the past two years as Board Chair, I find myself still in awe of the complex and yet, miraculous entity that is our healthcare system.

This is a truly remarkable time in history. Those beginning healthcare education today will graduate to find totally new technologies and systems, for example, the electronic health record. With minimally invasive surgery, hospital care is no longer only defined by inpatient beds. Discoveries are virtually daily occurrences. Fiscal constraint is juxtaposed with a burgeoning aging population.

Now, more than ever, Ontarians need to be engaged in meaningful discussion about what is both possible and desirable for the health of all citizens. Now, more than ever, there is need for faith and ethics perspectives to be part of that discussion. We are proud of the blend of science with soul nurtured across St. Joseph's and our research arm, Lawson Health Research Institute.

This year, the Board of Directors worked to advance the organization's strategic plan by focusing on areas including St. Joseph's academic mission and fiscal accountability. Thankfully, we were able to sign our first provincial hospital accountability agreement following lengthy deliberations with Ministry officials. As well, we worked to strengthen our partnership with the St. Joseph's Health Care Foundation, ensuring that the work of the foundation, its volunteers, staff and donors, is recognized as a vital part of our family.

The Board remains focused on advancing London's hospital system in partnership with others while ensuring fidelity to St. Joseph's own mission, vision and values. In this light, we express our appreciation to Cliff Nordal and all leaders at St. Joseph's for continuing to embrace the duality of shared leadership and distinct mission.

This year a joint committee on mission effectiveness between the St. Joseph's Health Care Society and our hospital was established. This group's mandate is primarily centred on supporting Cliff Nordal and St. Joseph's leaders in strengthening St. Joseph's Catholic identity and how we continue to serve in keeping with the extraordinary heritage given to us by our founders.

Reaching out in service and relationship with others are hallmarks of the Sisters of St. Joseph's. In 1881, some seven years before St. Joseph's Hospital first opened, and 12 years after the Sisters founded Mount Hope Orphanage, London was devastated by the sinking of The Victoria, an excursion steam boat on its last trip. In the crush of more than 600 people on board, the exact number of those who died was never confirmed but there were at least 182 interments in local cemeteries.

From the archives it is noted: *"Mother Ignatia, knowing there were many sad homes and broken hearts all through the city, sent her Sisters, two by two, to visit any house, Catholic or Protestant, where their services would be of use."*

I want my tenure as Board Chair to stand as testimony to this legacy of outreach and relationship. I am privileged to have served this Board as a citizen of London; as a person of the Jewish faith.

In your midst, I have once again found our community's diverse spirit, common aspirations, and deep compassion.



Paul Caplan

Chair, Board of Directors
St. Joseph's Health Care, London



Message from Robert Wood, Treasurer, Board of Directors

The resource planning committee of the board is made up of volunteer board and other community members who together, bring a wealth of business, financial and healthcare experience to their role as stewards of St. Joseph's finance, facility and equipment resources.

It was most rewarding this year to see external operational reviews and deliberations about our organization's funding levels resolved with the Ministry of Health and Long Term Care. In early March, funding levels for this past fiscal year were confirmed along with the resources for overall operations for the next two years. For the board and our organization, this certainty provides a renewed foundation on which to build more solid operating plans. We are still faced with addressing rising costs within these funding levels as we continue to meet our balanced budget requirements under provincial legislation.

As a volunteer trustee, it is most gratifying to see the due diligence and dedication that goes into developing budget plans where every effort is made to protect patient care volumes and access to care. Leaders have spent many hours reviewing care and service processes, sometimes making difficult choices that affect staff.

For teaching hospitals, the challenges are even greater as we strive to uphold our regional care commitments as well as teaching and research responsibilities. Much of our academic work is not funded through the public purse and in this regard, grants and the generous support of donors are crucial.

St. Joseph's has a strong history of prudent investment management. This, coupled with donor support and effective management of operating funds, permits the organization to invest in the renewal of our facilities and equipment. We have also made substantive investments in technology and in partnership with hospitals in Thames Valley, we continue the journey to achieve an integrated, electronic health record. Much has been accomplished to date. The investment is large and a provincial vision and plan is needed as the value to the healthcare system as a whole will be virtually immeasurable.

It has been a privilege to chair the resource planning committee for the past two years. I want to thank the volunteers, leaders and support staff for their diligent and dedicated service during my tenure.



Robert Wood

Treasurer, Board of Directors
St. Joseph's Health Care, London



2006–07 Financial Highlights

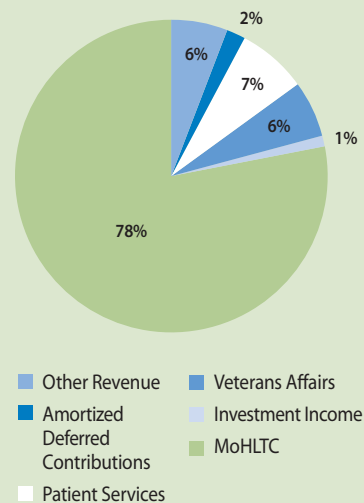
We are pleased to present highlights of the St. Joseph’s Health Care, London audited financial statements for the 2006/07 fiscal year.

One of the most significant financial planning and management challenges this year was the uncertain base funding for the organization. We spent most of the year engaged in dialogue with the Ministry around the most appropriate level of base funding, and this culminated in February 2007 with a new agreement on performance expectations and funding. We operated throughout the year confident of our case for more funding, based on proven levels of operating and clinical efficiency, and the maintenance of optimum standards of patient care.

In February 2007, the announcement of a \$22.5 million increase in base funding was marked with the signing of our first Hospital Accountability Agreement (HAA) late in the year. With this milestone achievement we

Where our money comes from to operate the organization.

Government remains our chief source of funding with a combined 84 per cent from the province and Veterans Affairs Canada. Our accountability agreement sees us responsible to deliver agreed upon levels of service for the base funding provided. In addition, the government provided \$5.9 million in non-recurring funding to address waiting lists and manage our restructuring costs.



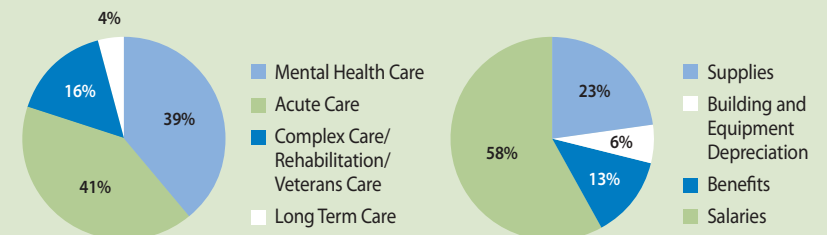
now join other hospitals in the province within the timeline and reporting requirements as outlined in the recently introduced Hospital Annual Plan Submission process. The HAA provides assurances from the government of funding in exchange for specified levels of service. Further, we have achieved an understanding on how we will be able to fund the extraordinary costs associated with our continuing restructuring efforts for the next two years.

St. Joseph’s ended the 2006/07 fiscal year with an excess of revenues over expenses of \$8.9 million, and a working capital balance of \$13 million. We have maintained a healthy balance sheet, providing us the needed flexibility to respond to the complex and emerging needs within our distinct role areas. Year-over-year changes to operations reflect the impact of inflation and other cost pressures resulting from the introduction of new technology and changing healthcare delivery practices.

St. Joseph’s has agreed to dedicate significant reserves to fund the cost of major facilities redevelopment in a cost sharing arrangement with the Province. Together with considerable financial support from the community through our Foundation, the organization is in an excellent position to fund

How our money is spent.

The diagrams show how our resources are allocated to our major programs, and expense types. Acute Care receives the greatest portion of our base funding. Salaries and benefits make up 71 per cent of our operating costs and this is consistent with prior years. We allocate 2.6 per cent of our expenses for equipment replacement.



the extensive facilities redevelopment and equipment needs at St. Josephs Hospital. We continue to hold funds in reserve advanced by the Province with the expectation of the redevelopment of our specialized mental healthcare facilities in London and St. Thomas.

Reserves of \$145.7 million are restricted on our balance sheet to meet future costs and obligations outlined in Note 10 of the financial statements. These funds are managed in accordance with our investment policy guidelines by professional investment managers until such time as they are needed.

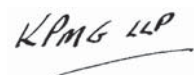
AUDITORS' REPORT ON SUMMARIZED FINANCIAL STATEMENTS

To the Board of Directors

The accompanying summarized balance sheet and statements of operations and cash flows are derived from the complete financial statements of St. Joseph's Health Care, London as at March 31, 2007 and for the year then ended on which we expressed an opinion without reservation in our report dated May 11, 2007. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.



Chartered Accountants, Licensed Public Accountants
London, Canada, May 11, 2007

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Financial Position

St. Joseph's financial position at March 31, 2007 remains a healthy one, with the year-end surplus allowing the Board to restrict funds for future capital needs and sustain a healthy working capital position. The 1:22:1 ratio is within the established range as per our accountability agreement with the Ministry. Restrictions on Net Assets will ensure we are able to meet our commitments for the completion of our capital redevelopment and sustain our capital equipment base. These restrictions include \$19.1 million of funds set aside representing our share of the capital redevelopment requirements. Our professionally managed funds are invested in a manner consistent with our investment management policies, funding cash needs as they arise. Obligations under various debt agreements continue to be easily met.

Condensed Statement of Financial Position

Year Ended March 31, 2007

	2007 (000's)	2006 (000's)
Assets		
Current assets	\$72,738	\$78,751
Restricted investments	145,692	128,423
Capital assets and other	225,448	229,517
	\$443,878	\$436,691
Liabilities, Deferred Contributions and Net Assets		
Current liabilities	\$59,717	\$68,896
Long-term liabilities and deferred contributions	174,916	167,427
Net assets	209,245	200,368
	\$443,878	\$436,691

Condensed Statement of Operations

With the increased base funding of \$22.5 million, we were able to offset the effects of inflation on salaries and supplies in addition to funding other cost pressures due to the introduction of new technologies and enhanced patient safety guidelines. The year-end surplus of \$8.9 million includes \$4.8 million of income from our investments, which is directed towards our capital redevelopment program. The balance of our surplus is a result of savings realized during the year as we continue to look to benchmarks in the industry to achieve best practice results in operational efficiency. The Ministry fully funded \$3.7 million in one-time restructuring expenses as we continue towards the next milestone in our restructuring efforts with our healthcare partners in the region. \$10.2 million of our revenue relates to external grants to offset the \$23.9 million in amortization of our capital investments. The Ministry invested \$2.2 million as we work in partnership to address the concern over the time patients must wait for care.

Condensed Statement of Operations

Year Ended March 31, 2007

	2007 (000's)	2006 (000's)
Revenues		
Ministry of Health and Long-Term Care	\$327,454	\$303,754
Other	90,696	88,213
	418,150	391,967
Expenses		
Salaries and benefits	299,081	281,771
Other	114,982	108,406
	414,063	390,177
Excess of revenues over expenses from operations	4,087	1,790
Investment income	4,790	6,242
Excess of revenues over expenses	\$8,877	\$8,032

Condensed Statement of Cash Flows

In 2007 St. Joseph's invested \$9.3 million in new facilities and \$10.6 million in new equipment. We continue our investment in new information systems technology as we make considerable progress with the electronic

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patient record, and we sustain our role as leaders in diagnostic imaging with the acquisition of a SPECT/CT. Capital spending is financed internally by \$3.1 million from reserves, and externally by \$16.8 million from contributions from the government, the community, and debt by way of equipment leases. \$15.9 million was received during the year from the Ministry and the community for future capital redevelopment.

Condensed Statement of Cash Flows

Year Ended March 31, 2007

	2007 (000's)	2006 (000's)
Cash provided by (used for):		
Operating activities	\$2,992	\$16,540
Financing activities	15,753	23,229
Investing activities	(37,063)	(39,552)
Net increase (decrease) in cash	(18,318)	217
Cash and short term investments, beginning of year	51,753	51,536
Cash and short term investments, end of year	33,435	51,753



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*For a complete set of financial
statements including notes, visit our
website at www.sjhc.london.on.ca*
