

Financial Statements of

ST. JOSEPH'S HEALTH CARE, LONDON

Year ended March 31, 2010



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 31, 2010.

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.

Handwritten signature of Mr. Cliff Nordal in blue ink.

Mr. Cliff Nordal, FCCHSE, FACHE
President and Chief Executive Officer

Handwritten signature of Mr. Bruce Hirst in blue ink.

Mr. Bruce Hirst, CMA, MBA
Integrated Vice President Finance Services and
Chief Financial Officer

Handwritten signature of Mr. Shawn Gilhuly in blue ink.

Mr. Shawn Gilhuly, CMA, MHA
Director Finance

May 31, 2010



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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, 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 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

London, Canada

May 20, 2010

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Financial Position

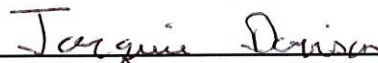
As at March 31, 2010 with comparative figures for March 31, 2009

(In thousands of dollars)

	2010	2009
Assets		
Current assets:		
Cash	\$ 34,573	\$ 24,119
Investments (note 3)	27,315	27,073
Accounts receivable (note 4)	24,369	15,936
Prepaid expenses and other assets	3,860	4,085
	<u>90,117</u>	<u>71,213</u>
Restricted investments (note 3 and note 10)	148,643	152,409
Loan receivable from Lawson Research Institute (note 16 (b))	15,000	15,000
Investment in joint ventures (note 16 (c) and note 16 (d))	852	767
Capital assets (note 5)	316,325	253,690
	<u>\$ 570,937</u>	<u>\$ 493,079</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 81,756	\$ 61,604
Current portion of long-term liabilities (note 7)	490	490
Current portion of obligations under capital lease (note 13)	2,837	2,743
	<u>85,083</u>	<u>64,837</u>
Long-term liabilities:		
Long-term liabilities (note 7)	6,795	6,148
Interest rate swap agreement (note 7 (d) and note 15)	80	168
Provision for demolition (note 12)	5,271	4,973
Obligations under capital lease (note 13)	3,597	4,061
	<u>15,743</u>	<u>15,350</u>
Deferred contributions (note 8):		
Unamortized capital contributions used to purchase assets	196,378	139,087
Unspent capital contributions	34,643	48,514
Expenses of future periods	401	477
	<u>231,422</u>	<u>188,078</u>
Net assets:		
Invested in capital assets (note 9)	116,648	107,946
Restricted (note 10)	113,599	103,418
Unrestricted	8,442	13,450
	<u>238,689</u>	<u>224,814</u>
Commitments and contingencies (note 11)		
	<u>\$ 570,937</u>	<u>\$ 493,079</u>

See accompanying notes to financial statements

On behalf of the Board:


Gerald Killan
Chair, Board of Directors

Jacquie Davison
Treasurer, Board of Directors

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Operations

Year ended March 31, 2010 with comparative figures for March 31, 2009
(In thousands of dollars)

	2010	2009
Revenues:		
Ministry of Health and Long-Term Care and Local Health Integration Network	\$ 362,295	\$ 351,071
Veterans Affairs Canada	27,364	26,891
Patient services	30,330	30,701
Other revenue	30,509	27,404
Amortization of deferred contributions	12,789	14,264
	463,287	450,331
Expenses:		
Salaries and benefits	335,837	324,042
Supplies	93,596	91,290
Amortization of capital assets	29,117	28,338
	458,550	443,670
Excess of revenues over expenses from operations	4,737	6,661
Other income (expenses):		
Health Services Restructuring (note 18):		
Current expenditures	(3,717)	(3,418)
Ministry of Health and Long-Term Care special funding	1,899	3,418
Investment income	3,079	4,665
Unrealized investment gains/(losses)	7,877	(11,432)
Excess (deficiency) of revenues over expenses	\$ 13,875	\$ (106)

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Changes in Net Assets

Year ended March 31, 2010 with comparative figures for March 31, 2009
(In thousands of dollars)

	Invested in capital assets	Restricted	Unrestricted	2010	2009
				Total	Total
	(note 9)	(note 9)			
Balance, beginning of year	\$ 107,946	\$ 103,418	\$ 13,450	\$ 224,814	\$ 224,920
Excess (deficiency) of revenues over expenses	(16,328)	-	30,203	13,875	(106)
Net change in invested in capital assets	25,030	(26,632)	1,602	-	-
Transfers to restricted		36,813	(36,813)	-	-
Balance, end of year	\$ 116,648	\$ 113,599	\$ 8,442	\$ 238,689	\$ 224,814

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Statement of Cash Flows

Year ended March 31, 2010 with comparative figures for March 31, 2009
(In thousands of dollars)

	2010	2009
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 13,875	\$ (106)
Items not involving cash:		
Amortization of capital assets	29,117	28,338
Amortization of deferred contributions	(12,789)	(14,264)
Provision for demolition	298	145
Unrealized investment (gains)/losses	(7,877)	11,432
Loss/(gain) on disposal of fixed assets	27	(283)
Change in non-cash operating working capital (note 17)	12,038	4,878
Deferred contributions related to expenses of future periods	(76)	(144)
	<u>34,613</u>	<u>29,996</u>
Financing activities:		
Long-term liabilities and interest rate swap agreement	559	(80)
Obligations under capital lease	(464)	1,984
Deferred contributions related to capital assets	56,209	32,013
	<u>56,304</u>	<u>33,917</u>
Investing activities:		
Purchase of capital assets	(91,779)	(61,866)
Proceeds on sale of capital assets	-	1,106
Increase in loan receivable	-	(15,000)
Net change in investments	7,635	491
Net change in restricted investments	3,766	2,154
Net change in investment in joint ventures	(85)	(121)
	<u>(80,463)</u>	<u>(73,236)</u>
Net increase (decrease) in cash	10,454	(9,323)
Cash, beginning of year	24,119	33,442
Cash, end of year	\$ 34,573	\$ 24,119

See accompanying notes to financial statements

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

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; 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.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the LHIN. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital. The H-SAA 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 the Hospital.

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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

(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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

(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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

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, 2010, 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:

Effective April 1, 2009, the Hospital retroactively adopted the changes to the recommendations in CICA Handbook Section 4400: *Financial Statement Presentation for Not-for-Profit Organizations* that eliminates the requirement to separately disclose the amount of net assets invested in capital assets. The Hospital elected to maintain details regarding the amount of net assets invested in capital assets and the calculation of this amount. As a result, there is no impact to the financial statements.

Effective April 1, 2009, the Hospital eliminated the consolidation of St Joseph's Health Care Auxiliary financial results in the year-end financial statements for the Hospital. This policy was adopted retroactively and prior year comparatives have been restated.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

3. Investments:

	2010 Market Value	2009 Market Value
Cash and cash equivalents	\$ 20,529	24,319
Government bonds	94,363	108,629
Debentures and other fixed income securities	27,978	22,494
Equities	33,088	24,040
	175,958	179,482
Less: Restricted investments	(148,643)	(152,409)
	\$ 27,315	27,073

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:

	2010	2009
MOHLTC / LHIN	\$ 9,778	1,905
Veterans Affairs Canada	3,043	3,202
Patient and other	11,548	10,829
	\$ 24,369	15,936

5. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 11,066	-	11,066	7,915
Land improvements	4,423	2,851	1,572	1,439
Buildings and building service equipment	408,091	145,845	262,246	195,495
Equipment	195,688	154,247	41,441	48,841
	\$ 619,268	302,943	316,325	253,690

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(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 \$1,333, 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:

	2010	2009
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))	\$ 1,333	1,623
	1,333	1,623
Employee future benefits (note 14(b))	5,304	4,297
Accumulated sick leave entitlement (note 7(c))	648	718
	7,285	6,638
Less current portion	490	490
	\$ 6,795	6,148

Interest for the year on long-term liabilities was \$ 133 (2009, \$115).

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

2011	\$	773
2012		560
	\$	1,333

(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.

(d) St. Joseph's Health Care, London has entered into an interest rate swap agreement on a notional principal of \$1,333 as at March 25, 2010 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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

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 \$14,764 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:

	2010	2009
Capital assets	\$ 316,325	253,690
Amounts financed by:		
Deferred contributions	(196,378)	(139,087)
Deferred contributions receivable	4,548	1,938
Mortgage, banker's acceptance and equipment financing	(1,333)	(1,623)
Interest rate swap agreement	(80)	(168)
Obligation under capital lease	(6,434)	(6,804)
	\$ 116,648	107,946

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.

	2010	2009
Restricted net assets:		
Research	\$ 1,000	1,000
Accumulated sick leave entitlement	648	718
Employee future benefits	5,305	4,297
Provision for demolition	5,271	4,973
Capital lease obligation	-	22
Mental Health Care	17,062	18,258
Provision for future equipment and capital redevelopment	84,313	74,150
	113,599	103,418
Deferred contributions:		
Unspent contributions	34,643	48,514
Expenses of future periods	401	477
	\$ 148,643	152,409

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

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, 2010, the accumulated interest is \$4,591 and \$10,173 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. On May 7, 2008 St. Joseph's Health Care, London entered into a Project Agreement to build and finance the second phase of the redevelopment described above. The Ministry and St. Joseph's Health Care, London have agreed to a cost sharing arrangement whereby the Ministry's share of the total costs of \$62,551 are \$54,104 with the remaining \$8,447 being the responsibility of the Hospital. Under this arrangement financing for the project is provided by an external lender during construction. At March 31, 2010 the Hospital accrued \$5,068 for the final payment to the external lender. The Ministry will provide funding of \$4,590 with the Hospital contributing \$478. The Hospital is responsible for up to 10% of the remaining ancillary costs for phase two which are expected to be minimal.

- (c) St. Joseph's Health Care, London is currently finalizing a Project Agreement for the construction and operation of new Mental Health Hospitals in London and St. Thomas. The agreement will proceed as a Design, Build, Finance, and Maintain (DBFM) Alternative Financing and Procurement (AFP) project under Infrastructure Ontario, with the Hospital and the Ministry sharing in the total project cost. The Hospital's share of the total costs is estimated to be \$20,879. As at March 31, 2010, \$9,319 (2009 – nil) has been incurred and recorded as construction in progress.
- (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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

(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.

13. Obligations under capital lease:

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

	2010
Year ended March 31:	
2011	\$2,837
2012	2,676
2013	693
2014	228
Total minimum lease payments	6,434
Less amounts representing interest at nil to 5.27%	-
Present value of net minimum lease payments	6,434
Current portion of obligation under capital lease	2,837
	\$3,597

Interest expense on the capital lease obligation in 2010 was \$6 (2009, \$19).

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 \$20,695 (2009, \$20,504). The most recent actuarial valuation for accounting purposes was completed by the HOOPP as at December 31, 2008. The December 31, 2009 audited financial statements disclose a smoothed assets value of \$32,556,000 with accrued going concern liabilities of \$32,020,000 resulting in a going concern surplus of \$536,000.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

(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:

	2010	2009
Current service costs	\$ 161	166
Interest cost	417	177
Amortization of transitional obligation	43	43
Amortization of past service cost	(409)	247
Amortization of net actuarial gain	795	(434)
Net benefit plan expense	\$ 1,007	199

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

	2010	2009
Accrued benefit obligation	\$ (5,505)	(5,354)
Unamortized transitional obligation	202	245
Unamortized past service cost	1,944	1,535
Unamortized net actuarial gain	(1,945)	(723)
	\$ (5,304)	(4,297)

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, 2010 are as follows:

	2010	2009
Discount rate	5.75%	7.50%
Health cost trends:		
Initial rate	8.0%	8.0%
Ultimate rate	5.0%	5.0%
Year ultimate rate reached	2016	2016

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010
(In thousands of dollars)

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

	2010	2009
Employer contributions	\$ 232	303
Benefits paid	\$ 232	303

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 2010, 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 \$1,333 and the unrealized loss that would have been realized had the agreement been terminated on March 31, 2010, is \$80 (2009, loss of \$168) 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.

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010

(In thousands of dollars)

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, 2010, the Foundation provided St. Joseph's Health Care, London donations totaling \$3,271 (2009, \$6,365).

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

(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:

	2010	2009
Total assets	\$ 28,302	27,248
Total liabilities, deferred contributions	28,078	27,259
Net assets	224	(11)
Revenues	18,984	13,782
Expenses	18,749	14,616
Excess of revenues over expenses	235	(834)
Cash flows:		
Operating	1,549	1,395
Financing and investing	(650)	(684)
Net increase in cash	\$ 899	711

Deferred contributions of \$10,521 (2009, \$9,848) related to expenses of future periods represent unspent deferred contributions for research capital.

ST. JOSEPH'S HEALTH CARE, LONDON

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Year ended March 31, 2010

(In thousands of dollars)

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, certain operating costs and the LRI's portion of purchased equipment. Transfers during 2010 were \$3,120 (2009, \$5,092).

During the year LRI made payments of \$344 (2009, \$211) to St. Joseph's Health Care, London for sharing of infrastructure support.

(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:

	2010	2009
Total assets	\$ 5,698	8,406
Total liabilities, deferred contributions	5,360	8,076
Net assets	338	330
Revenues	2,240	1,863
Expenses	2,293	1,906
Deficiency of revenues over expenses	(53)	(43)
Cash flows:		
Operating	496	(29)
Financing and investing	-	-
Net increase (decrease) in cash	\$ 496	(29)

HMMS incurred a loss of \$214 (2009, \$174) 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 \$53 towards a capital equipment investment of \$214.

HMMS has bank credit facilities consisting of a \$10,000 operating line of credit and a \$339 term loan. As at March 31, 2010, HMMS has drawn \$84 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, 2010 is \$388, (2009, \$378).

ST. JOSEPH'S HEALTH CARE, LONDON

Notes to Financial Statements

Year ended March 31, 2010

(In thousands of dollars)

(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.

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

	2010	2009
Total assets	\$ 589	509
Total liabilities, deferred contributions	128	124
Net assets	461	385
Revenues	9,693	9,674
Expenses	9,819	9,778
Deficiency of revenue over expenses	\$ (126)	(104)

The LLSG incurred a loss of \$726 (2009, \$602) 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 \$202 towards a capital equipment investment of \$1,166.

The net investment in LLSG at March 31, 2010 is \$464 (2009, \$388).

(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 method of accounting.

17. Change in non-cash operating working capital:

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

	2010	2009
Accounts receivable	\$ (8,433)	6,399
Prepaid expenses and other assets	225	(399)
Accounts payable and accrued liabilities	20,152	(1,295)
Current portion of obligation under capital lease	94	173
	\$ 12,038	4,878

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Notes to Financial Statements

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(In thousands of dollars)

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 2010 is \$1,899 (2009, \$3,418).

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, 2010 total \$1,089 (2009, \$1,208) and are not included in the financial statements of the Hospital at March 31, 2010 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, 2010, the Hospital has met its objective of having sufficient liquid resources to meet its current obligations.