St. Joseph's Health Centre

Financial Statements
March 31, 2011

May 26, 2011

Management's Report

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

The accompanying financial statements of **St. Joseph's Health Centre** (the "Health Centre") have been prepared by, and are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies selected by management are considered to be the most appropriate to fairly represent the Health Centre's financial affairs. The preparation of financial statements necessarily involves management judgement and estimates of expected outcomes of current events and transactions with appropriate consideration to materiality.

The Health Centre maintains a system of internal accounting and financial controls designed to provide reasonable assurance about the reliability of financial data, to ensure adequate control over transactions, and to safeguard the assets of the Health Centre. This system of internal controls includes formal written accounting and administrative policies and procedures and an organizational structure that provides an appropriate division of responsibilities and authority. Management recognizes the inherent risk in any system and believes the overall systems and controls provide reasonable assurance as to the integrity of the financial statements.

The members of the Health Centre and the Board of Directors have appointed Deloitte & Touche LLP as the Health Centre's auditors. Their accompanying report is based on an examination conducted in accordance with Canadian generally accepted auditing standards.

Carolyn Baker	Dale McGregor
President and C.E.O.	Executive Vice-President Corporate Services & C.F.O.

Deloitte & Touche LLP
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Independent Auditor's Report

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

We have audited the accompanying financial statements of St. Joseph's Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Joseph's Health Centre as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 26, 2011

St. Joseph's Health Centre

Statement of Financial Position

As at March 31, 2011

(in thousands of dollars)

	2011 $	2010 $
Assets		
Current assets		
Cash	**63,600**	14,441
Short-term investments	**1,928**	30,192
Accounts receivable (note 4)	**8,001**	6,859
Inventories	**2,780**	2,700
Prepaid expenses	**3,080**	2,741
Total current assets	**79,389**	56,933
Long-term investments	**5,089**	-
Cash and investments - restricted for redevelopment	**-**	16,546
Property, plant and equipment (note 5)	**156,545**	120,486
Accrued pension benefits (note 7)	**7,966**	4,704
Total assets	**248,989**	198,669
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**22,668**	17,096
Accrued salaries and employee deductions	**7,898**	10,510
Accrued vacation and sick leave benefits	**6,840**	6,736
Capital funding received in advance	**5,322**	-
Current portion of long-term debt (note 6)	**-**	759
Due to Ministry of Health/Toronto Central LHIN	**4,558**	3,703
Deferred revenue	**1,838**	2,296
Total current liabilities	**49,124**	41,100
Long-term debt (note 6)	**-**	2,581
Pension benefits (note 7)	**3,961**	3,453
Other post-employment benefits (note 7)	**4,157**	3,764
Provision for sick leave benefits	**492**	564
Deferred capital contributions (note 8)	**101,967**	60,412
Total liabilities	**159,701**	111,874
Net assets		
Invested in property, plant and equipment (note 9 (a))	**54,578**	76,620
Unrestricted	**34,710**	10,175
Total net assets	**89,288**	86,795
Total liabilities and net assets	**248,989**	198,669

Contingencies and commitments (note 13)

Approved by the Board of Directors

Richard Ross

Richard Ross, Chair of the Board of Directors

S. Khetrapal

Shoba Khetrapal, Chair of the Audit Committee

St. Joseph's Health Centre

Statement of Operations

For the year ended March 31, 2011

(in thousands of dollars)

	2011 **$**	2010 $
Revenues		
Ministry of Health/Toronto Central LHIN		
Grants	**202,389**	200,365
Other votes and programs	**5,805**	5,430
Patient revenue from other payers	**20,977**	20,839
Commercial operations	**5,303**	5,148
All other income	**16,350**	12,521
Amortization of deferred capital contributions related to equipment	**1,940**	1,968
	252,764	246,271
Expenses		
Salaries, wages and employee benefits	**176,162**	173,263
Medical and surgical supplies	**15,425**	14,904
Drugs and medical gases	**11,501**	11,154
Other supplies and expenses	**31,848**	31,950
Other votes and programs	**5,829**	5,430
Amortization of equipment	**6,501**	6,965
	247,266	243,666
Surplus for the year before the undernoted items	**5,498**	2,605
Amortization of deferred capital contributions related to buildings and building equipment	**2,793**	2,970
Less: Amortization of buildings and building equipment	**(5,794)**	(6,095)
Less: Interest on long-term debt (note 6)	**(45)**	(61)
Surplus (deficit) for the year	**2,452**	(581)

St. Joseph's Health Centre

Statement of Changes in Net Assets

For the year ended March 31, 2011

(in thousands of dollars)

			2011	2010
	Invested in property, plant and equipment $	**Unrestricted $**	**Total $**	**Total $**
Net assets - Beginning of year	**76,620**	**10,175**	**86,795**	**87,354**
Surplus (deficit) for the year	**(7,562)**	**10,014**	**2,452**	**(581)**
Reclassification adjustment for gains on available for sale investments recognized during the year, previously included in net assets	**-**	**(104)**	**(104)**	**(89)**
Unrealized gain on available for sale investments	**-**	**145**	**145**	**111**
Net change in net assets invested in property plant and equipment (note 9 (b))	**(14,480)**	**14,480**	**-**	**-**
Net assets - End of year	**54,578**	**34,710**	**89,288**	**86,795**
Unrealized gains on available for sale investments included in net assets – End of year	**-**	**160**	**160**	**118**

St. Joseph's Health Centre

Statement of Cash Flows

For the year ended March 31, 2011

(in thousands of dollars)

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Surplus (deficit) for the year	**2,452**	(581)
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	**12,295**	13,060
Pension and other post-employment benefits expense	**9,259**	6,125
Amortization of deferred capital contributions	**(4,733)**	(4,938)
Net change in sick leave provision	**(72)**	(117)
Accrued interest on long-term investments	**(70)**	-
Net change in non-cash working capital balances (note 10)	**26,429**	(3,869)
Cash provided by operating activities	**45,560**	9,680
Investing activities		
Net decrease in cash and investments - restricted for redevelopment	**16,546**	5,943
Increase in long-term investments	**(5,019)**	-
Purchase of property, plant and equipment (net of change in accounts payable related to purchase of property plant and equipment of $10,200 (2010 - $7,066)	**(38,155)**	(18,441)
Cash used in investing activities	**(26,628)**	(12,498)
Financing activities		
Contributions received for capital purposes	**45,159**	5,260
Interest earned on cash and investments - restricted for redevelopment	**28**	56
Employer pension and other post-employment benefits contributions	**(11,620)**	(8,896)
Principal repayments on long-term debt	**(3,340)**	(723)
Cash provided by (used in) financing activities	**30,227**	(4,303)
Change in cash during the year	**49,159**	(7,121)
Cash - Beginning of year	**14,441**	21,562
Cash - End of year	**63,600**	14,441
Supplemental disclosure:		
Interest paid	**45**	182

(in thousands of dollars)

1 Operations

St. Joseph's Health Centre (the "Health Centre") was incorporated under the Corporations Act (Ontario) on November 28, 1994 as a corporation without share capital. The Health Centre is principally involved in providing health-care services to southwest Toronto. The Health Centre is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 Basis of presentation

Nature of the Health Centre

The Health Centre is a Catholic facility founded by the Sisters of St. Joseph of Toronto. It is governed and operated within the philosophy and values of the Sisters of St. Joseph and is currently sponsored by the Catholic Health Corporation of Ontario ("CHCO"). The members of the Board of Directors of the CHCO are also the members of the St. Joseph's Health Centre corporation.

Ownership of land and buildings

As part of the incorporation process, legal title of the land and buildings of the Health Centre was retained by the Sisters. Shortly after the date of incorporation, the Health Centre entered into a lease agreement with the Sisters for the land and buildings. The lease calls for annual nominal rent and expires December 31, 2015. Though there are no legally enforceable renewal periods, it is the intention of both the Health Centre and the Sisters to negotiate in good faith a renewal period if necessary. The terms of the lease agreement grant the Health Centre exclusive control over the leased premises to carry out the operations of the Health Centre. Prior to entering into the lease agreement, the Health Centre was responsible for all capital and operating costs associated with the premises. Under the terms of the lease agreement, the Health Centre continues to maintain responsibility for these same costs throughout the term of the lease.

The Health Centre has effectively maintained all of the risks and benefits of ownership arising from the land and buildings throughout the lease term. As such, the land and buildings continue to be accounted for in the financial statements of the Health Centre at their historical net book value. In addition, the buildings will continue to be amortized over their estimated useful lives regardless of the lease expiration date.

St. Joseph's Health Centre Foundation

These financial statements do not include the assets, liabilities and activities of the St. Joseph's Health Centre Foundation of Toronto (the "Foundation"), which although related to the Health Centre, is not controlled by it.

(in thousands of dollars)

3 Summary of significant accounting policies

A summary of the significant accounting policies is as follows. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Revenue recognition

The Health Centre follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Health Centre is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care (the "Ministry of Health") through the Hospital Service Accountability Agreement with the Toronto Central Local Health Integration Network (the "Toronto Central LHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period, unless the Ministry of Health/Toronto Central LHIN makes a request for funds to be repaid, at which time the amounts are reclassified as a liability.

Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions received subsequent to April 1, 1990, which are restricted for the purchase of property, plant and equipment (including interest earned that is explicitly required to be used for the purchase of property, plant and equipment), are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, plant and equipment. The dollar amounts of capital grants received prior to April 1, 1990 were not readily determinable and therefore any pre-April 1, 1990 capital grant contributions would be included in the unrestricted net asset balance.

To the extent that Ministry of Health/Toronto Central LHIN funding has been received with the stipulated requirement that the Health Centre provides specific services, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent.

Investment income earned on unspent Ministry of Health/Toronto Central LHIN capital grants are recognized as an increase in deferred capital contributions and are considered restricted to these purposes. Unrestricted investment income, which consists of interest, income distributions from pooled funds and realized gains and losses, is recognized as revenue when earned. Unrealized gains and losses are recorded as direct change in the statement of net assets.

(in thousands of dollars)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from patient revenue from other payers, preferred accommodation and co-payment revenues, and marketed services is recognized when the goods are sold or the service is provided.

Investments

Short-term investments are primarily comprised of money market mutual funds.

Inventories

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

Property, plant and equipment

Property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Expenditures for new facilities or those expenditures that substantially increase the useful lives of existing property, plant and equipment are capitalized. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Land improvements	10 to 20 years
Buildings	10 to 50 years
Building equipment	5 to 25 years
Equipment	3 to 20 years

Construction-in-progress consists of direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are brought into service.

Gains or losses on dispositions are included in the statement of operations in the year of disposal.

Employee benefit plans

The Health Centre administers the St. Joseph's Health Centre Pension Plan, which is a contributory defined benefit final average pay plan. Substantially all of the Health Centre's employees belong to this plan. The Health Centre also administers the St. Joseph's Health Centre Supplementary Retirement Plan, which is unfunded and provides benefits for members in excess of limits imposed by the Income Tax Act.

(in thousands of dollars)

3 Summary of significant accounting policies (continued)

Employee benefit plans (continued)

In addition to the pension plans, the Health Centre administers a post-employment benefits plan for full-time Canadian Union of Public Employees who retire from active service.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return of plan assets, these assets are valued at fair value. Actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year are amortized using the straight-line method over the expected average remaining service life of active employees.

The Health Centre contributes to the pension plan in accordance with regulatory requirements based on the latest actuarial valuation as at January 1, 2010. The next actuarial valuation is expected no later than January 1, 2013.

Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at fair value.

Financial instruments

The Health Centre's financial instruments consist of cash, investments, accounts receivable, accrued salaries and employee deductions, accrued vacation and sick leave benefits, and accounts payable and accrued liabilities. During the year ended March 31, 2011, the long-term debt was fully repaid, and as such, the interest rate swap no longer exists as at March 31, 2011.

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

(in thousands of dollars)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities. The fair value of investments is based on quoted bid prices.

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

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are subject to significant measurement uncertainty. For all estimates, actual results could differ from those estimates. Accounts involving significant estimates include accounts receivable, property, plant & equipment, and employee future benefits.

Future accounting changes

In December 2010, the Public Sector Accounting Board changed the accounting framework required to be followed by Government Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, Government Not-for-Profit Organizations will be required to select from either (a) the CICA Public Sector Accounting Handbook, including Sections PS 4200 to PS 4270 or, alternatively, (b) the CICA Public Sector Accounting Handbook without Sections PS 4200 to PS 4270. Early adoption of these new standards is permitted. The Health Centre plans to adopt the new accounting standards for Government Not-for-Profit Organizations for its fiscal year beginning on April 1, 2012. The impact of transitioning to this new accounting framework has not been determined at this time.

(in thousands of dollars)

4 Accounts receivable

Accounts receivable consists of the following:

	2011 $	2010 $
Patients and others	**5,122**	4,289
Ministry of Health/Toronto Central LHIN	**2,607**	2,561
St. Joseph's Health Centre Foundation	**272**	9
	8,001	6,859

5 Property, plant and equipment

Property, plant and equipment consist of the following:

	2011 $	2010 $
Cost		
Land and land improvements	**2,025**	2,025
Buildings and building equipment	**141,213**	139,108
Equipment	**133,203**	125,480
Construction-in-progress	**80,946**	42,469
	357,387	309,082
Accumulated amortization		
Land improvements	**544**	544
Buildings and building equipment	**87,646**	81,853
Equipment	**112,652**	106,199
	200,842	188,596
	156,545	120,486

Included in construction-in-progress is $6,026 in costs incurred relating to the development of the Health Centre’s electronic health record technology platform, eCare. During the year ended March 31, 2011, $1,230 of costs incurred in relation to the project were expensed based on management’s assessment that these costs did not contribute to the expected future benefit of the overall project.

(in thousands of dollars)

6 Long-term debt

The Health Centre had one long-term borrowing arrangement in an unsecured bank loan which carried a floating rate equal to the thirty-day Bankers Acceptance rate. The Health Centre had entered into an interest rate swap agreement related to this loan, whereby the floating rate was swapped for a fixed rate debt with an interest rate of 4.86% and settled on a net basis. The start date of the interest rate swap was April 26, 2004 and its maturity date was April 25, 2014. The effective interest rate was 4.86%, which represented the interest rate swap of 4.51% plus a 0.35% stamping fee. The fair value of the interest rate swap of $nil (2010 – ($166)) was calculated using the discounted cash flow method and has been included in accounts payable and accrued liabilities on the statement of financial position and the gain on the change in fair value of $166 (2010 - $121) has been included with interest on long-term debt in the statement of operations. During the year ended March 31, 2011, the full amount owing was paid. As part of the payment of the full amount owing, an early termination fee of $171 was paid. No monthly principal and interest payments are due as at March 31, 2011.

The Health Centre has a $10,000 unsecured, revolving demand line of credit with a Canadian bank. This line of credit had not been utilized as at March 31, 2011.

(in thousands of dollars)

7 Pension and other post-employment benefits

Information about the Health Centre's pension plans is calculated as at December 31, 2010 (December 31, 2009 for the prior year), the fiscal year-end of the pension plan. The details of the Health Centre's pension plans and other post-employment benefits are as follows:

			2011
	Registered Pension plan $	**Supplementary Pension plan $**	**Post-employment benefits $**
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	**410,313**	**5,715**	**4,018**
Fair value of plan assets	**366,395**	**-**	**-**
Funded status – deficit	**43,918**	**5,715**	**4,018**
Unamortized transitional asset (obligation)	**12,397**	**(294)**	**-**
Unamortized actuarial (loss) gain	**(61,696)**	**(1,453)**	**155**
Unamortized past service costs	**-**	**-**	**(16)**
Contributions made between January 1 and March 31	**(2,585)**	**(7)**	**-**
Employee future benefits liability (asset)	**(7,966)**	**3,961**	**4,157**
Change in employee future benefits			
Employee future benefits - Beginning of year	**(4,704)**	**3,453**	**3,764**
Benefit expense for the year	**8,193**	**535**	**531**
Employer contributions	**(11,455)**	**(27)**	**(138)**
Employee future benefits - End of year	**(7,966)**	**3,961**	**4,157**
Benefits paid to beneficiaries during the year	**15,698**	**27**	**138**
Components of benefit expense for the year			
Current service cost	**10,000**	**262**	**151**
Interest cost	**23,795**	**231**	**202**
Expected return on plan assets	**(22,503)**	**-**	**-**
Amortizations	**(3,099)**	**42**	**178**
Benefit expense for the year	**8,193**	**535**	**531**

(in thousands of dollars)

7 Pension and other post-employment benefits (continued)

			2010
	Registered Pension plan $	**Supplementary Pension plan $**	**Post-employment benefits $**
Reconciliation of funded status to accrued benefit liability			
Accrued benefit obligation	341,737	3,164	3,809
Fair value of plan assets	332,303	-	-
Funded status – deficit	9,434	3,164	3,809
Unamortized transitional asset (obligation)	15,496	(368)	-
Unamortized actuarial (loss) gain	(27,360)	664	149
Unamortized past service costs	-	-	(194)
Contributions made between January 1 and March 31	(2,274)	(7)	-
Employee future benefits liability (asset)	(4,704)	3,453	3,764
Change in employee future benefits			
Employee future benefits - Beginning of year	(1,237)	3,140	3,381
Benefit expense for the year	5,309	334	482
Employer contributions	(8,776)	(21)	(99)
Employee future benefits - End of year	(4,704)	3,453	3,764
Benefits paid to beneficiaries during the year	15,763	18	99
Components of benefit expense for the year			
Current service cost	5,675	184	112
Interest cost	21,157	180	220
Expected return on plan assets	(18,424)	-	-
Amortizations	(3,099)	(30)	150
Benefit expense for the year	5,309	334	482

(in thousands of dollars)

7 Pension and other post-employment benefits (continued)

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

	2011 %	2010 %
Discount rate	**5.65%**	6.75%
Expected return on plan assets	**6.75%**	6.50%
Range for age related compensation increases	**6.30% - 2.90%**	6.05% - 2.65%

The expected annual increase in medical and dental costs applicable to the post-employment benefits was 9.0% at the end of 2011 decreasing over twenty years to an ultimate rate of 4.5%.

The last actuarial pension valuation filed with regulatory authorities for funding purposes for the St. Joseph's Health Centre Pension Plan was completed as at January 1, 2010 and indicated a surplus of $1,395. Actuarial valuations for funding purposes use different assumptions from those required for financial statement disclosure.

8 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received, which were specified for the purchase of property, plant and equipment. The amortization of these contributions is recorded as revenue in the statement of operations.

			2011	2010
	Foundation **$**	**Ministry of Health / Toronto Central LHIN** **$**	**Total** **$**	**Total** **$**
Balance - Beginning of year	**9,885**	**50,527**	**60,412**	59,795
Contributions received	**548**	**44,611**	**45,159**	5,260
Amounts transferred from deferred revenue	**-**	**1,101**	**1,101**	239
Interest income earned	**-**	**28**	**28**	56
Amounts amortized into revenue	**(935)**	**(3,798)**	**(4,733)**	(4,938)
Balance - End of year	**9,498**	**92,469**	**101,967**	60,412

(in thousands of dollars)

9 Net assets invested in property, plant and equipment

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

	2011 $	2010 $
Property, plant and equipment, net	**156,545**	120,486
Add cash and investments - restricted for redevelopment	**-**	16,546
Less amounts funded by deferred contributions	**(101,967)**	(60,412)
	54,578	76,620

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

	2011 $	2010 $
Purchase of property, plant and equipment	**48,355**	25,507
Amounts funded by deferred capital contributions	**(46,261)**	(5,499)
Change in cash and investments - restricted for redevelopment	**(16,574)**	(5,999)
	(14,480)	14,009

10 Statement of cash flows

The changes in working capital items are as follows:

	2011 $	2010 $
Short-term investments (net of change in unrealized gains of $41 (2010 - $22)	**28,305**	(267)
Accounts receivable	**(1,142)**	(1,754)
Inventories	**(80)**	127
Prepaid expenses	**(339)**	(193)
Accounts payable and accrued liabilities	**(4,627)**	(4,867)
Accrued salaries and employee deductions	**(2,612)**	469
Accrued vacation and sick leave benefits	**104**	541
Capital funding received in advance	**5,322**	-
Due to Ministry of Health/Toronto Central LHIN	**855**	1,744
Deferred revenue (net of amounts transferred to deferred capital contributions of $1,101 (2010 - $239)	**643**	331
	26,429	(3,869)

(in thousands of dollars)

11 Related party transactions

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

	2011 $	2010 $
Capital donations received from the Foundation	**548**	1,471
Non-capital donations received from the Foundation	**220**	177

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

b) The Health Centre has an economic interest in the Foundation. The objectives of the Foundation are to "receive and maintain funds for the benefit of the Health Centre through the enhancement or improvement of facilities or the services provided by the Health Centre."

c) At March 31, 2011, there is $272 (2010 - $9) receivable from the Foundation representing the reimbursement of operating expenditures paid by the Health Centre on behalf of the Foundation.

d) On incorporation of the Health Centre, a lease agreement was established with the owners, the Sisters of St. Joseph of Toronto, for the land and buildings. The lease requires a monthly nominal payment of one dollar and expires December 30, 2015. The Health Centre is responsible for all occupancy costs including leasehold improvements.

12 Capital management

The Health Centre considers its net assets and deferred capital contributions as its capital.

a) Net assets - As a not-for-profit organization, the Health Centre's operations are reliant on revenues generated annually. The Health Centre has accumulated net assets over its history to March 31, 2011 of $89,288 (2010 - $86,795) which are presented in the statement of financial position as net assets.

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

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

b) Deferred capital contributions - Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2011, the Health Centre was in compliance with all restrictions applicable to these funding sources.

(in thousands of dollars)

13 Contingencies and commitments

a) The Health Centre is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual deposit premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for the years in which the Health Centre was a member. No reassessments have been made to March 31, 2011.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premiums plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as at March 31, 2011.

b) From time to time, the Health Centre is named in lawsuits related to its activities. It is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the Health Centre. Accordingly, no provision for loss has been made in these financial statements, but in management's view, these claims should not have a material adverse effect on the financial position of the Health Centre.

c) Future minimum operating lease payments, relating primarily to the off-site Renal Centre, are as follows:

	$
2012	505
2013	409
2014	396
2015	396
2016	396
Thereafter	2,971
	5,073

d) The Health Centre has outstanding contractual commitments for capital expenditures amounting to approximately $15,112. The majority of this commitment is related to the Health Centre's contract for the construction of the new patient care wing and the development of the Health Centre's electronic health record technology platform, eCare.

(in thousands of dollars)

14 Financial instruments and risk management

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

Interest rate risk

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

Credit risk

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

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

15 Comparative financial statements

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