



London Health Sciences Centre

*Caring for You. Innovating for the World.™*

2007-2008  
FINANCIAL  
STATEMENT  
HIGHLIGHTS



# MESSAGE FROM THE CHAIR OF THE FINANCE AND AUDIT COMMITTEE

Throughout 2007/08, the leaders and staff of London Health Sciences Centre worked diligently to conserve hospital resources. These efforts enabled LHSC to end the year with a financial surplus of \$27.7 million, resulting in an operating margin of 3.0 percent. This surplus has been used to better position the hospital for the future, specifically, to retire debt, replenish equipment inventories, and rebuild depleted working capital.

At March 31, 2008, LHSC's working capital deficiency improved to \$48.5 million, from \$132.8 million at March 31, 2007, indicating increased efficiency and effectiveness. This improvement was achieved through prudence in planning, operations and cash management, and it enabled the hospital to repay \$20.2 million in debt. In addition, LHSC restructured \$35 million of debt arising from the construction of its parking garages to convert it to a longer term.

On August 31, 2007, Infrastructure Ontario, London Health Sciences Centre and St. Joseph's Health Care London jointly released a Request for Proposals to qualified firms for a major capital project that is expected to add close to 100 new acute care beds at LHSC's Victoria Hospital by 2011. The notes to our financial statements highlight the financial support that the Government of Ontario and the community are providing to complete this work. The local share plans to support these significant capital requirements are now in place.

Today, health care providers in Ontario are subject to new reporting and accountability requirements and participate in more comprehensive system planning as a result of the implementation of Local Health Integration Networks (LHINs). We welcome these changes. I am very pleased with the leadership LHSC has demonstrated in its participation and support of these initiatives. Hospital leaders are fully engaged in these new processes, representing

London at the provincial and regional levels. This year, LHSC successfully negotiated a Hospital Service Accountability Agreement with the South West LHIN, setting service volume and funding levels for the 2008/09 and 2009/10 fiscal years. Together, LHSC and the SW LHIN will monitor progress under this agreement over its term.

I wish to thank the members of the Finance and Audit Committee who served with me this year to provide stewardship of LHSC's financial resources. I also wish to warmly thank the management, physicians and staff of LHSC for their contribution to the improvements achieved.

Paul Andrews  
Chair, Finance and Audit Committee  
Board of Directors

## AUDITORS REPORT ON CONDENSED FINANCIAL STATEMENTS

The accompanying summarized statements of financial position, operations, and cash flows are derived from the complete financial statements of London Health Sciences Centre as at March 31, 2008 and for the year then ended on which we expressed an opinion without reservation in our report dated May 6, 2008. 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 centre's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants  
LONDON, CANADA 05.06.08

## MANAGEMENT COMMENTS ON THE CONDENSED STATEMENT OF FINANCIAL POSITION

London Health Sciences Centre's financial position improved significantly during the year. LHSC has generated an operating surplus over the past two years and continues to rebuild its balance sheet. In addition to an improvement in working capital, LHSC reduced capital debt, reclassified short and long-term debt obligations and had less reliance on the Local Health Integration Network (LHIN) for short-term cash advances compared to previous years. The 0.63:1 current ratio, however, continues to demonstrate that the hospital needs to monitor and improve its liquidity in the future. Obligations under various debt agreements are easily met and supported by sound business plans and cash flows.

## MANAGEMENT COMMENTS ON THE CONDENSED STATEMENT OF OPERATIONS

London Health Sciences Centre ended the year with an operating surplus of \$27.7 million, or an operating margin of 3.0%. The surplus is the result of a measured approach to financially position the hospital for the future and includes strategies to retire debt, focus on cash management, realize corporate and clinical efficiencies, and rebuild our capital asset base for the benefit of our patients. Included in the Ministry of Health and Long-Term Care and LHIN revenues is funding for service volumes in priority programs and for initiatives to reduce wait times. During the year, the LHIN funded one-time restructuring expenses as the hospital moves towards the completion of Phase 2 of Milestone II redevelopment. In addition, \$29.5 million of our revenue relates to external grants to offset \$59.4 million in amortization of our capital equipment assets.

## CONDENSED STATEMENT OF FINANCIAL POSITION as at March 31

	2008 (000's)	2007 (000's)
<b>ASSETS</b>		
Current assets	\$ 84,038	\$ 102,693
Restricted investments	9,779	9,838
Capital assets	574,353	593,643
	<b>\$ 668,170</b>	<b>\$ 706,174</b>
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b>		
Current liabilities	\$ 132,581	\$ 235,519
Long term liabilities and deferred contributions	430,961	390,896
Net assets	104,628	79,759
	<b>\$ 668,170</b>	<b>\$ 706,174</b>

## CONDENSED STATEMENT OF OPERATIONS Year Ended March 31

	2008 (000's)	2007 (000's)
<b>REVENUES</b>		
Ministry of Health and Long-Term Care and Local Health Integration Network	\$ 748,432	\$ 737,929
Other	166,406	150,838
	<b>\$ 914,838</b>	<b>\$ 888,767</b>
<b>EXPENSES</b>		
Salaries and benefits	\$ 570,225	\$ 535,131
Other	316,873	304,473
	<b>\$ 887,098</b>	<b>\$ 839,604</b>
<b>Excess of revenues over expenses</b>	<b>\$ 27,740</b>	<b>\$ 49,163</b>

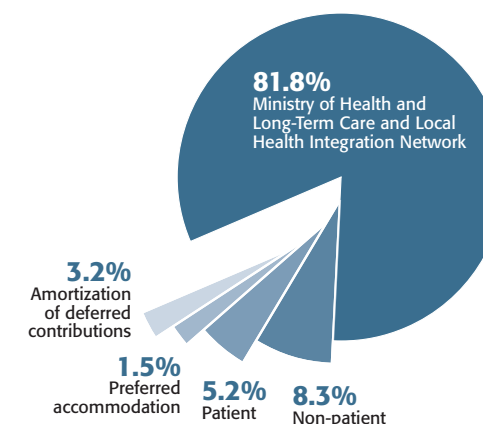
## MANAGEMENT COMMENTS ON THE CONDENSED STATEMENT OF CASH FLOWS

The hospital invested \$40.1 million in clinical capital, building service equipment, information systems and buildings during the year. Capital spending is financed through a combination of operations and deferred contributions from both levels of government and the London Health Sciences Foundation. Total cash of \$28.5 million consists of restricted cash of \$6.4 million in order to discharge certain future obligations and \$22.1 million in unrestricted cash.

## CONDENSED STATEMENT OF CASH FLOWS Year Ended March 31

	2008 (000's)	2007 (000's)
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities	\$ 97,314	\$ 48,368
Financing activities	(36,827)	(20,039)
Investing activities	(40,544)	(42,446)
<b>Net increase (decrease) in cash</b>	<b>\$ 19,943</b>	<b>\$ (14,117)</b>
<b>Cash, beginning of year</b>	<b>8,597</b>	<b>22,714</b>
<b>Cash, end of year</b>	<b>\$ 28,540</b>	<b>\$ 8,597</b>

## TOTAL REVENUE



## TOTAL EXPENSES

