Financial Statements

# London Health Sciences Centre

March 31, 2014

# MANAGEMENT'S REPORT

The accompanying financial statements of **London Health Sciences Centre** [the "Centre"] have been prepared by Management, reviewed and recommended by the Finance and Audit Committee, and approved by the Board of Directors at their meeting on May 28, 2014.

The Board of Directors carries out its responsibility for the Centre's financial statements principally through its Finance and Audit Committee. The Finance and Audit Committee meets with Management and the internal and external auditors to review any significant accounting and auditing matters and discuss the results of audit examinations. The Finance and Audit Committee also reviews the financial statements and the auditors' report and submits its findings to the Board of Directors for their consideration in approving the financial statements.

The Centre maintains a system of internal accounting controls which is continually reviewed and improved to provide assurance that financial information is relevant, reliable, and accurate, and that assets are appropriately accounted for and adequately safe-guarded.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances.

Murray Glendining, CPA, CA (signed)
President and CEO

Shawn Gilhuly, MHA, CPA, CMA (signed)
Vice President, Finance and Chief Financial Officer

London, Canada,
May 28, 2014.

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
**London Health Sciences Centre**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **London Health Sciences Centre**, which comprise the statement of financial position as at March 31, 2014 and the statements of changes in unrestricted net assets, remeasurement gains and losses, operations, 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 public sector accounting standards, 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.

### Auditors' 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 **London Health Sciences Centre** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

London, Canada,
May 28, 2014.

London Health Sciences Centre

# STATEMENT OF FINANCIAL POSITION

As at March 31
*[in thousands]*

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents *[note 14(e)]* | **176,571** | 191,143 |
| Restricted cash and cash equivalents *[note 4]* | **32,541** | 18,912 |
| Accounts receivable | | |
| Ministry of Health & Long-Term Care [MOHLTC] and South West Local Health Integration Network [SW-LHIN] | **48,141** | 13,266 |
| Patient and other | **40,576** | 37,298 |
| Due from related entities *[note 16]* | **24,061** | 26,711 |
| Inventories | **9,090** | 7,912 |
| Prepaid expenses | **6,068** | 4,606 |
| | **337,048** | 299,848 |
| Restricted cash and portfolio investments *[note 4]* | **7,660** | 4,042 |
| Investment in joint ventures *[note 17]* | **7,271** | 6,750 |
| Capital assets, net *[note 5]* | **951,384** | 923,751 |
| | **1,303,363** | 1,234,391 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current** | | |
| Accounts payable and accrued charges | **115,301** | 102,825 |
| Accounts payable with respect to construction in progress *[note 14(c)]* | **38,324** | — |
| Accounts payable - MOHLTC and SW-LHIN *[note 14(e)]* | **24,028** | 61,107 |
| Current portion of long-term liabilities *[note 7]* | **4,796** | 4,647 |
| Capital lease obligations *[note 10]* | **3,292** | 2,227 |
| Deferred contributions *[note 12]* | **8,317** | 14,335 |
| | **194,058** | 185,141 |
| Long-term liabilities *[note 7]* | **109,605** | 110,610 |
| Interest rate swaps *[note 8]* | **12,578** | 17,977 |
| Capital lease obligations *[note 10]* | **6,251** | 3,130 |
| Deferred contributions *[note 12]* | **1,500** | — |
| Deferred capital contributions *[note 11]* | **674,667** | 657,557 |
| | **998,659** | 974,415 |
| Commitments and contingencies *[note 14]* | | |
| **NET ASSETS** | | |
| Unrestricted net assets | **317,282** | 277,953 |
| Accumulated remeasurement losses | **(12,578)** | (17,977) |
| | **1,303,363** | 1,234,391 |

*See accompanying notes to financial statements*

On behalf of the Board of Directors:

Ruthe Anne Conyngham (signed)
Chair, Board of Directors

Michelle Faysal (signed)
Chair, Finance and Audit Committee

London Health Sciences Centre

# STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

Year ended March 31
*[in thousands]*

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Unrestricted net assets, beginning of year** | **277,953** | 228,969 |
| Reclassification of unrealized loss on interest rate swap due to adoption of PS 3450 | — | 16,880 |
| Surplus | **39,329** | 32,104 |
| **Unrestricted net assets, end of year** | **317,282** | 277,953 |

*See accompanying notes to financial statements*

# STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year ended March 31
*[in thousands]*

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Accumulated remeasurement losses, beginning of year** | **(17,977)** | — |
| Reclassification of unrealized loss on interest rate swap due to adoption of PS 3450 | — | (16,880) |
| Unrealized gain (loss) on interest rate swaps | **6,025** | (1,636) |
| Realized (gain) loss reclassified to statement of operations | **(626)** | 539 |
| **Accumulated remeasurement losses, end of year** | **(12,578)** | (17,977) |

*See accompanying notes to financial statements*

London Health Sciences Centre

# STATEMENT OF OPERATIONS

Year ended March 31
*[in thousands]*

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Revenues** | | |
| MOHLTC and SW-LHIN | **948,082** | 926,298 |
| Non-patient | **116,700** | 96,256 |
| Patient | **53,771** | 55,419 |
| Preferred accommodation | **14,887** | 14,788 |
| Amortization of deferred capital contributions | **26,382** | 28,305 |
| Interest | **2,486** | 3,280 |
| | **1,162,308** | 1,124,346 |
| **Expenses** | | |
| Salaries and wages | **613,893** | 606,770 |
| Employee benefits *[note 15]* | **125,784** | 123,211 |
| Supplies and other | **138,531** | 127,307 |
| Medical and surgical supplies | **87,137** | 84,385 |
| Drugs | **90,477** | 87,882 |
| Amortization of capital assets | **57,976** | 53,325 |
| Interest and other *[note 7]* | **8,052** | 7,984 |
| | **1,121,850** | 1,090,864 |
| **Surplus before undernoted items** | **40,458** | 33,482 |
| Restructuring and amalgamation costs *[note 19]* | — | (1,078) |
| MOHLTC restructuring funding | — | 552 |
| Loss on equity investments *[note 17]* | **(1,129)** | (852) |
| **Surplus** | **39,329** | 32,104 |

*See accompanying notes to financial statements*

London Health Sciences Centre

# STATEMENT OF CASH FLOWS

Year ended March 31
*[in thousands]*

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Surplus | **39,329** | 32,104 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | **57,976** | 53,325 |
| Amortization of deferred capital contributions | **(26,382)** | (28,305) |
| Increase in capital lease obligations | **7,219** | 4,231 |
| (Decrease) increase in deferred contributions related to future operating expenses | **(4,518)** | 1,563 |
| | **73,624** | 62,918 |
| Net change in non-cash working capital items *[note 13]* | **(65,396)** | (412) |
| **Cash provided by operating activities** | **8,228** | 62,506 |
| **FINANCING ACTIVITIES** | | |
| Contributions received related to capital assets | **43,308** | 45,384 |
| Increase (decrease) in accounts payable with respect to construction in progress | **38,324** | (13,213) |
| Increase in other long-term liabilities | **2,426** | 3,972 |
| Decrease (increase) in due from related entities | **2,650** | (5,703) |
| Repayment of long-term debt | **(3,282)** | (3,101) |
| Payment of capital lease obligations | **(3,033)** | (1,840) |
| **Cash provided by financing activities** | **80,393** | 25,499 |
| **INVESTING ACTIVITIES** | | |
| (Increase) decrease in restricted cash and portfolio investments, net | **(3,618)** | 143 |
| Increase in investment in joint ventures | **(521)** | (328) |
| Increase in restricted cash and cash equivalents | **(13,629)** | (18,912) |
| **Cash used in investing activities** | **(17,768)** | (19,097) |
| **CAPITAL ACTIVITIES** | | |
| Purchase of capital assets | **(85,425)** | (100,481) |
| **Cash used in capital activities** | **(85,425)** | (100,481) |
| **Net decrease in cash and cash equivalents during the year** | **(14,572)** | (31,573) |
| Cash and cash equivalents, beginning of year | **191,143** | 222,716 |
| **Cash and cash equivalents, end of year** | **176,571** | 191,143 |

*See accompanying notes to financial statements*

**London Health Sciences Centre**

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 1. PURPOSE OF THE ORGANIZATION

London Health Sciences Centre [the "Centre"] was incorporated without share capital under the Corporations Act of Ontario. The Centre is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes. The Centre is dedicated to excellence in patient care, teaching and research and is one of Canada's largest acute-care teaching hospitals.

The Centre receives the majority of its operating funding from the Province of Ontario in accordance with budget policies established by the Ontario Ministry of Health and Long-Term Care ["MOHLTC"] and the South West Local Health Integration Network ["SW-LHIN"]. Capital redevelopment expenditures are primarily funded by the MOHLTC and philanthropic contributions.

The Centre operates under a Hospital Service Accountability Agreement ["H-SAA"] and a Multi-Sector Service Accountability Agreement ["M-SAA"] with the SW-LHIN. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Centre. The H-SAA and M-SAA set out the funding provided to the Centre together with performance standards and obligations that establish acceptable results for the Centre's performance. The Centre retains any excess or deficiency of revenue over expenses during the year in accordance with the H-SAA.

The Centre also signed Development Accountability Agreements ["DAAs"] with the MOHLTC on November 18, 2008 and July 11, 2011. The DAAs set out the conditions and funding obligations of the MOHLTC and the Centre for the redevelopment of capital assets. The DAA parameters and MOHLTC cost share agreements have been incorporated into project costs and funding commitments by the MOHLTC and the Centre for construction and equipment *[note 14]*.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Handbook ["PS"] which sets out Canadian generally accepted accounting principles for government not-for-profit organizations ["GNPOs"] in Canada. The Centre has chosen to use the standards specified for GNPOs set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

### [a] Revenue recognition

The deferral method of accounting for contributions is followed. Capital contributions for the purpose of acquiring depreciable capital assets are deferred and amortized on the same basis and over the same periods as the related capital assets.

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

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

### [b] Inventory

Inventory is valued at the lower of cost and net realizable value, which is considered to be current replacement cost on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are done on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

### [c] Cash, restricted cash and cash equivalents

Cash consists of cash on deposit. Restricted cash and cash equivalents consist of cash on deposit and portfolio investments.

### [d] Investment in joint ventures

The Centre has interests in economic activities where there is shared ownership of these activities by the venturers. The accounts of these joint venture activities are included in the accompanying financial statements following the modified equity method. The modified equity method is a basis of accounting for the Centre's business partnerships, whereby the equity method of accounting is only modified to the extent the venturer's accounting policies are not adjusted to conform with those of the Centre.

### [e] Capital assets

Capital assets are recorded at original cost. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis over the estimated useful life of the asset. The amortization periods are as follows:

| | |
|---|---|
| Land improvements | 5 – 20 years |
| Buildings and building service equipment | 5 – 50 years |
| Parking lot pavement | 8 years |
| Equipment and furniture | 5 – 20 years |
| Computer equipment and software | 3 – 5 years |

Donated capital assets are recorded at fair market value at the date of contribution. Construction and projects in progress include construction and development costs and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

External labour and incremental internally reassigned personnel costs associated with specific projects are included in their cost, capitalized and amortized over the life of the project.

When a capital asset no longer has any long-term service potential to the Centre, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

## [f] Capital leases

A lease contract is accounted for as a capital lease if the Centre intends to obtain legal title to the asset at the end of the lease term, the lease term covers a significant portion of the asset's useful life, or the Centre has determined that the vendor will recover the investment cost of the asset as well as earn a return on that investment. The capital cost of the leased asset is amortized on a straight-line basis over the useful life of the asset.

## [g] Use of estimates

The preparation of the Centre's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

## [h] Employee future benefits

[a] Multi-employer pension plan

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer plan, whereby contributions are expensed on an accrual basis, as the Centre has insufficient information to apply defined benefit plan accounting.

[b] Other employee future benefits

The Centre accrues its obligations for other employee future benefits. The cost of other employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Centre's cost of borrowing. Differences arising from past service costs are expensed in the period of plan amendment. Actuarial gains and losses are recognized on a straight-line basis in the statement of operations over the expected average remaining service life of employees.

## [i] Financial instruments

All financial instruments are initially recorded at fair value. They are subsequently carried at fair value, cost, or amortized cost as follows:

[a] Portfolio investments are measured at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.
[b] Accounts receivable, due from related entities, accounts payable and accrued charges and long-term debt are initially measured at fair value and measured at amortized cost thereafter net of any provision for impairment.
[c] Derivatives are carried at fair value on the statement of financial position with changes in value recognized in the statement of remeasurement gains and losses. The Centre does not engage in derivative trading or speculative activities.

Portfolio investments in corporate bonds, guaranteed investment certificates and debentures are recorded at fair value. Corporate bonds have a minimum investment rating of A.

Transaction costs related to financial assets and financial liabilities are expensed to interest and other expenses, net as incurred.

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 at the trade date, 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.

A change in the fair value of a financial instrument in the fair value category is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. In the reporting period that a financial instrument in the fair value category is derecognized, the accumulated remeasurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

[in thousands of dollars]

At each financial statement date, the Centre assesses financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss. A loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the Centre becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value.

## 3. FUNDS HELD IN TRUST

The Centre holds funds in trust for certain related or associated entities, which the Centre has received under the direction of multi-party agreements. The funds are not available for the use or benefit of the Centre and are disbursed according to the terms of the various agreements. Funds held in trust are not included in the Centre's statement of financial position.

Funds held in trust are summarized in the following table:

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| AMOSO [a] | **19,013** | 19,875 |
| SWO DI/Regional Information Management Projects [b] | **2,148** | 5,924 |
| cSWO [c] | **742** | 2,595 |
| **Total** | **21,903** | 28,394 |

[a] The Centre holds funds in trust for the Academic Medical Organization of Southwestern Ontario ["AMOSO"], which is further described in note 16[c].

[b] The Centre also holds funds in trust related to the Southwestern Ontario Diagnostic Imaging Project ["SWO DI"] and for other regional information management projects. These funds were entirely contributed by Canada Health Infoway and the MOHLTC. Subject to approval by the Diagnostic Imaging Steering Committee, the Centre may be reimbursed from the funds held in trust for SWO DI for expenses incurred.

[c] The Centre holds funds in trust related to the Connecting Southwestern Ontario ["cSWO"] project. These funds were entirely contributed by eHealth Ontario. Certain of the funds held in trust for cSWO may be remitted to the Centre as reimbursement for expenses incurred.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 4. RESTRICTED CASH AND PORTFOLIO INVESTMENTS

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Externally restricted:** | | |
| Short-term restricted cash [a] | **12,838** | 14,611 |
| **Internally restricted:** | | |
| Short-term restricted cash [b] | **19,703** | 2,372 |
| Long-term restricted cash [b] | **4,860** | 734 |
| Short-term restricted portfolio investments – fixed income [b] | **—** | 1,929 |
| Long-term restricted portfolio investments – fixed income [b] | **2,800** | 3,308 |
| | **40,201** | 22,954 |
| Less current portion of restricted cash and cash equivalents | **32,541** | 18,912 |
| **Total long-term restricted cash and portfolio investments** | **7,660** | 4,042 |

Internally restricted funds are funds to be spent on specific internal initiatives as approved by the Board of Directors. Externally restricted funds include MOHLTC funds received for large building and demolition projects and funds received from other external parties for specific purposes. All restricted funds are maintained in restricted accounts until they are spent. The funds are recorded on the statement of financial position as either short-term or long-term based on when the funds are anticipated to be spent.

[a] The Centre holds funds which were advanced by the MOHLTC for the construction of redevelopment projects *[note 14[c]]*.

[b] The Centre has restricted funds in order to discharge obligations related to employee benefit rebates *[note 7[f]]*, integration of the London Regional Cancer Centre and certain construction projects. Fixed income portfolio investments consist of guaranteed investment certificates *[note 9[a][i]]*.

## London Health Sciences Centre

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 5. CAPITAL ASSETS

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Cost** $ | **Accumulated amortization** $ |
| Land | **1,420** | — | 1,420 | — |
| Construction and projects in progress [a] | **42,976** | — | 22,761 | — |
| Buildings, building service equipment and land improvements | **952,585** | **199,947** | 921,364 | 179,308 |
| Parking lot pavement | **1,870** | **768** | 1,409 | 568 |
| Equipment and furniture | **374,049** | **220,801** | 345,047 | 188,374 |
| | **1,372,900** | **421,516** | 1,292,001 | 368,250 |
| Less accumulated amortization | **421,516** | | 368,250 | |
| **Net book value** | **951,384** | | 923,751 | |

The above capital assets include assets under capital lease of $14,086 [2013 - $9,454] at cost with accumulated amortization of $4,593 [2013 - $4,161].

[a] Included in the construction and projects in progress amount above is $17,510 related to the value of work completed on a building redevelopment and infill project as at March 31, 2014 [2013 - $7,226]. This redevelopment and infill project is proceeding as an alternative financing and procurement ["AFP"] project under Infrastructure Ontario, with the Centre and the MOHLTC sharing in the total project cost as described in note 14. The project is being constructed by an unrelated joint venture created to carry out the construction within the AFP arrangement. Payment by the Centre to the joint venture is to occur at specified intervals until fiscal 2016. The Centre recognizes construction in progress relating to the project as work progresses toward completion of project milestones.

## 6. CREDIT FACILITIES

The credit facilities as at March 31, 2014 established with the Centre's bankers consist of a credit line of $45,000 [2013 - $45,000] to be used for general operating purposes and to bridge capital expenditures. The facility bears interest at the Bankers' Acceptance rate plus 0.45%. No amount was drawn on this facility at March 31, 2014.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 7. LONG-TERM LIABILITIES

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Long-term debt** | | |
| Term installment loan at 7.00% [a] | **13,111** | 13,709 |
| Term installment loan at 7.08% [a] | **14,140** | 14,827 |
| Non-revolving installment loan [b] | **2,286** | 2,967 |
| Term installment loan at 5.68% [c] | **25,408** | 25,951 |
| Term installment loans at 4.17% [d] | **31,179** | 31,952 |
| | **86,124** | 89,406 |
| Less current portion | **3,458** | 3,273 |
| | **82,666** | 86,133 |
| **Other** | | |
| Sick leave entitlement [e] | **806** | 943 |
| Employee benefit rebates [f] | **3,317** | 3,504 |
| Other employee future benefits *[note 15[b]]* | **23,863** | 21,104 |
| Accumulating and non-vesting sick leave | **291** | 300 |
| | **28,277** | 25,851 |
| Less current portion | **1,338** | 1,374 |
| | **26,939** | 24,477 |
| **Total long-term liabilities** | **109,605** | 110,610 |

[a] The Centre has a non-revolving term installment loan on the first Victoria Hospital parking structure bearing interest at a floating rate of the Bankers' Acceptance rate plus 0.65% and due on December 30, 2022. Quarterly equal blended payments of principal and interest commenced September 30, 2003. The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt. The Centre has addressed this risk by entering into an interest rate swap ["IRS"] agreement that fixes the interest rate over the term of the debt at 7.00%. This IRS agreement is further described in note 8[a].

The Centre has a non-revolving term installment loan on its University Hospital parking structure bearing interest at 7.08% and due on July 31, 2021. Monthly equal blended payments of principal and interest commenced April 1, 2002.

The Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

[b] The Centre has a non-revolving floating rate installment loan at the Bankers' Acceptance rate plus 0.60% to finance expenditures related to the replacement of chiller systems. The credit was available in two tranches, which were advanced in sequence. Monthly equal blended payments of principal and interest commenced April 30, 2009 and are due March 30, 2018.

The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt. The Centre has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt at a weighted average rate of 3.975%. This IRS agreement is further described in note 8[b].

[c] The Centre has a non-revolving floating rate term installment loan at the Bankers' Acceptance rate plus 0.75% on a second parking facility that has been constructed at Victoria Hospital and the purchase of other long-term assets. Monthly equal blended payments of principal and interest commenced March 31, 2012 and are due on September 30, 2036. The Centre will be exposed to interest rate cash flow risk with respect to its committed floating rate debt. The Centre has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt at 5.68%. This IRS agreement is further described in note 8[c].

As noted in [a], the Centre has provided surplus cash flows from the parking structures as collateral for all amounts drawn on the corresponding parking facilities.

[d] The Centre has two non-revolving floating rate term installment loans to finance expenditures related to the Phase 5 Co-Generation project at Victoria Hospital and the Emergency Backup Generator project at University Hospital. The loans bear interest at a floating rate of prime less 0.75% and are due on September 30, 2036. Monthly blended payments of principal and interest commenced October 1, 2011. The Centre is exposed to interest rate cash flow risk with respect to its floating rate debt. The Centre has addressed this risk by entering into an IRS agreement that fixes the interest rate over the term of the debt at 4.17%. This IRS agreement is further described in note 8[d].

[e] 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 from the Centre.

[f] The rebate portion of certain legislated employee benefits programs in the past had been designated by the Centre to fund future costs.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

[g] Principal payments due under the various debt agreements are as follows:

| | $ |
|---|---|
| 2015 | 3,458 |
| 2016 | 3,654 |
| 2017 | 3,857 |
| 2018 | 3,377 |
| 2019 | 3,478 |
| Thereafter | 68,300 |
| | 86,124 |

Interest costs incurred in the year amounted to $6,294 [2013 - $5,596].

## 8. INTEREST RATE SWAPS

| | **2014** $ | **2013** $ |
|---|---|---|
| Interest rate swap on term installment loan [a] | **3,108** | 3,948 |
| Interest rate swap on non-revolving installment loan [b] | **74** | 128 |
| Interest rate swap on term installment loan [c] | **5,811** | 8,143 |
| Interest rate swaps on term installment loans [d] | **3,585** | 5,758 |
| | **12,578** | 17,977 |

Amounts disclosed above reflect the estimated amount that the Centre, if required to settle the outstanding contract, would be required to pay at year-end.

[a] The Centre entered into an IRS agreement on its non-revolving term installment loan related to the Victoria Hospital parking structure. As at March 31, 2014, the agreement represented a notional principal amount of $13,111. The IRS agreement causes the Centre to swap its floating rate of the Bankers' Acceptance rate plus 0.65% obligation annually for a fixed rate of 7.00%. The maturity date of this agreement is December 30, 2022.

As at March 31, 2014, the fair value of this IRS agreement represented a liability of $3,108.

[b] The Centre entered into an IRS agreement on its non-revolving installment loan related to the replacement of chiller systems. As at March 31, 2014, the IRS agreement represented a notional principal amount of $2,286. The agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.60% annually for a fixed rate of 4.03% on tranche 1 of $1,927, and 3.65% on tranche 2 of $359. The maturity date of tranche 1 is February 28, 2017, and the maturity date of tranche 2 is March 30, 2018.

As at March 31, 2014, the fair value of this IRS agreement represented a liability of $74.

[c] The Centre entered into an IRS agreement on its committed term installment loan related to the construction of a new parking structure at Victoria Hospital and the purchase of other long-term assets. As at March 31, 2014, the agreement represented a notional principal amount of $29,204. The IRS agreement causes the Centre to swap its floating rate obligation at the Bankers' Acceptance rate plus 0.75% annually for a fixed rate of 5.68%. The maturity date of this agreement is September 30, 2036.

As at March 31, 2014, the fair value of this IRS agreement represented a liability of $5,811.

[d] The Centre entered into IRS agreements on its term installment loans related to the Phase 5 Co-generation project at Victoria Hospital and the Emergency Backup Generator project at University Hospital. As at March 31, 2014, the agreements represented a notional principal amount of $31,179. The IRS agreements cause the Centre to swap its floating rate obligation at prime less 0.75% annually for a fixed rate of 4.17%. The maturity date of these agreements is September 1, 2036.

As at March 31, 2014, the fair value of these IRS agreements represented a liability of $3,585.

The fair value of the Centre's IRS agreements represents the difference between the net present value of the cash flows based on the swap rate at inception and the net present value of the cash flows based on the projected swap rate for the remaining term of the swaps.

### 9. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1 - valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

[in thousands of dollars]

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant inputs have been considered in measuring fair value.

The following table presents the financial instruments measured at fair value classified according to the fair value hierarchy described above:

| | Fair Value at March 31, 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total assets at fair value** |
| | $ | $ | $ | $ |
| Financial assets and liabilities | | | | |
| Cash and cash equivalents | **176,571** | — | — | **176,571** |
| Restricted cash and portfolio investments | **40,201** | — | — | **40,201** |
| Interest rate swaps | — | **12,578** | — | **12,578** |
| | **216,772** | **12,578** | — | **229,350** |

There have been no material transfers between Levels 1 and 2 for the year ended March 31, 2014.

**FINANCIAL RISKS**

The Centre's investment activities expose it to a range of financial risks. These risks include market risk [including interest rate risk], credit risk, and liquidity risk.

The Centre manages these financial risks in accordance with its internal policies as described in the Statement of Investment Policies and Procedures.

**[a] Market Risk**

Market risk is the risk that the fair value or future cash flows related to a financial instrument will fluctuate as a result of changes in market conditions including interest rates. Significant volatility in interest rates and equity values in which the Centre's investments are held can significantly impact the value of the investments.

**[i] Interest Rate Risk**

Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. The Centre is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents, investments and long-term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Centre's operating results.

To manage the risks identified for its investments, the Centre has an investment policy setting out a target mix of investments designed to provide optimal rate of return within reasonable risk tolerances. The investment policy is renewed annually.

Fixed income portfolio investments have an average term to maturity of 0.5 years and an average yield of 1.57% as at March 31, 2014 based on market values. Due to the short term nature of the Centre's portfolio investments, there would be no significant changes in net assets if interest rates were to change.

The Centre mitigates interest rate risk on its long-term debt through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate *[note 8]*. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

**[b] Credit risk**

Credit risk arises from the possibility that the entities from which the Centre receives funding may experience difficulty and be unable to fulfill their obligations. The majority of the Centre's accounts receivable are owed by government agencies with good credit standing. Patient and other accounts receivable totaled $39,881as at March 31, 2014. As a result, the requirement for credit risk related reserves for accounts receivable is minimal. The Centre has no significant concentration of credit risk with any one individual customer. There are no significant past due or impaired balances as at March 31, 2014.

**[c] Liquidity risk**

Liquidity risk is the risk that the Centre will not able to meet its obligations as they fall due. The Centre requires working capital to meet day-to-day operating activities. Management expects that the Centre's cash flows from operating activities will be sufficient to meet these requirements.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 10. CAPITAL LEASE OBLIGATIONS

The Centre has entered into the following capital lease obligations for equipment:

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| Total minimum lease payments | **10,020** | 5,600 |
| Less amounts representing interest | **671** | 243 |
| Add residual values | **194** | — |
| **Present value of capital lease obligations** | **9,543** | 5,357 |
| Less current portion of capital lease obligations | **3,292** | 2,227 |
| | **6,251** | 3,130 |

Principal payments due under capital lease obligations are as follows:

| | $ |
|---|---|
| 2015 | 3,292 |
| 2016 | 2,960 |
| 2017 | 2,011 |
| 2018 | 1,027 |
| 2019 | 59 |

[in thousands of dollars]

## 11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of externally restricted contributions received for the purchase of capital assets. Changes in the deferred capital contributions balance are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Balance, beginning of year** | **657,557** | 638,691 |
| Contributions received during the year | | |
| MOHLTC and SW-LHIN | **36,956** | 36,283 |
| Foundations | **2,584** | 6,173 |
| Other | **3,952** | 4,715 |
| Amortization | **(26,382)** | (28,305) |
| **Balance, end of year** | **674,667** | 657,557 |

## 12. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent grants for operating purposes that have been received and relate to a subsequent year. Changes in the deferred contributions balance are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Balance, beginning of year** | **14,335** | 12,772 |
| Contributions received during the year | | |
| MOHLTC and SW-LHIN | **1,117** | 4,948 |
| Foundations | **393** | 408 |
| Other | **821** | 3,715 |
| Amounts recognized as revenue during the year | **(6,849)** | (7,508) |
| | **9,817** | 14,335 |
| Less current portion | **8,317** | — |
| **Balance, end of year** | **1,500** | 14,335 |

[in thousands of dollars]

## 13. STATEMENT OF CASH FLOWS

The net change in non-cash working capital items related to operations consists of the following:

| | **2014** $ | **2013** $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| Accounts receivable: | | |
| MOHLTC and SW-LHIN | **(34,875)** | 5,447 |
| Patient and other | **(3,278)** | (8,218) |
| Inventories | **(1,178)** | (599) |
| Prepaid expenses | **(1,462)** | (340) |
| Accounts payable - MOHLTC and SW-LHIN | **(37,079)** | 453 |
| Accounts payable and accrued charges | **12,476** | 2,845 |
| | **(65,396)** | (412) |

## 14. COMMITMENTS AND CONTINGENCIES

[a] The Centre has entered into operating leases for premises and equipment. Minimum rental payments over the next five years are as follows:

| | $ |
|---|---|
| 2015 | 1,770 |
| 2016 | 1,602 |
| 2017 | 1,510 |
| 2018 | 1,480 |
| 2019 | 1,318 |

[b] The Centre is subject to certain actual and potential legal claims that 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.

[c] The Centre has spent approximately $581,261 on buildings and other related expenditures to complete the Health Services Restructuring Commission’s ["HSRC"] directives received in 1998. Future capital asset expenditures of $29,110 are required to meet these directives over the next two years for a total cost of $610,371.

The Centre has a cost sharing agreement with the MOHLTC for the redevelopment of buildings and other related capital expenditures. Under the terms of the agreement, the MOHLTC will fund $509,691 of the required capital asset expenditures. According to the terms of the cost sharing agreement, $100,680 must be raised by the Centre from other sources of funds including contributions from the London Health Sciences Foundation, Children's Health Foundation and internal working funds contributions. As at March 31, 2014, the Foundations have contributed $63,576 in total [2013 - $62,776], with the balance of the obligation being funded internally from non-MOHLTC generated revenues.

The value of work completed as at March 31, 2014 with respect to the building redevelopment has been recorded in capital assets.

[d] The Centre also has a cost sharing agreement with the MOHLTC for the acquisition of capital equipment and furnishings. The total cost is $46,325 with the MOHLTC contributing $27,098. As at March 31, 2014, the London Health Sciences Foundation has transferred $10,066 [2013 - $8,895] to the Centre.

[e] The Centre holds funds in cash which were received over many fiscal years from the MOHLTC and SW-LHIN for various programs. The timing of these program reconciliations varies according to MOHLTC and SW-LHIN reconciliation processes, and as such, the Centre reports both the cash and the liability on its financial statements. The Centre currently holds $24,028 [2013 - $61,107] payable to the MOHLTC and SW-LHIN.

## 15. EMPLOYEE FUTURE BENEFITS

### [a] Multi-employer pension plan

Substantially all of the employees of the Centre are members of the HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Centre's contributions to HOOPP during the year amounted to $42,570 [2013 - $41,614]. This amount is included in employee benefits expense in the statement of operations.

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2013, disclosed net assets available for benefits of $51,626,000 [2012 - $47,414,000] with pension obligations of $41,478,000 [2012 - $39,919,000] resulting in a surplus of $10,148,000 [2012 - $7,495,000]. The cost of pension benefits is determined by HOOPP at $1.26 per every dollar of employee contributions. The plan is funded by HOOPP. As at December 31, 2013, HOOPP was 114% funded [2012 - 104%].

[in thousands of dollars]

## [b] Other employee future benefits

The Centre provides post-retirement benefits of extended health coverage, dental and semi-private insurance. The most recent actuarial valuation for financial reporting purposes was completed by the Centre's independent actuaries as at March 31, 2013. The accrued obligations for all other employee future benefits, based on amounts determined by independent actuaries, are $23,863 as at March 31, 2014 [2013 - $21,104].

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligations for the other employee future benefits are as follows:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | **4.3%** | 3.6% |
| Future general inflation increase | **2.0%** | 2.0% |
| Executive supplementary pension increase | **2.0%** | 2.0% |
| Health care inflation increase | **5.6%** | 5.9% |

The health care inflation increase is expected to decrease to an ultimate rate of 2.9% in 2032 and thereafter. Benefits paid during the year were $747 [2013 - $685]. These obligations are funded in the year they are paid out.

The following table presents information related to the Centre's post-retirement benefits as at March 31, 2014, including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Accrued benefit obligation** | | |
| Balance at beginning of year | **29,427** | 24,680 |
| Current service cost | **1,538** | 1,102 |
| Interest cost | **1,047** | 1,001 |
| Benefits paid | **(1,338)** | (1,374) |
| Plan amendment | **656** | 3,102 |
| Actuarial loss (gain) | **(2,531)** | 916 |
| Balance at end of year | **28,799** | 29,427 |
| Unamortized net actuarial loss | **(4,936)** | (8,323) |
| **Employee future benefit liability** | **23,863** | 21,104 |

[in thousands of dollars]

Unamortized actuarial losses (gains) are amortized over the expected average remaining service life of employees. The Centre's benefit plan expense was as follows:

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| Current service cost | **1,538** | 1,102 |
| Interest cost | **1,047** | 1,001 |
| Plan amendment | **656** | 3,102 |
| Amortization of: | | |
| Actuarial loss | **856** | 766 |
| **Net benefit plan expense** | **4,097** | 5,971 |

The Centre has an obligation for accumulating non-vesting sick pay benefits for certain employee groups. These benefits are paid out upon an illness or injury-related absence. Sick pay benefits expensed during the year were $10 [2013 - $32].

## 16. RELATED ENTITIES

Amounts due from related entities in the Centre's financial statements are as follows:

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| London Health Sciences Centre Research Inc. [a] | **7,815** | 11,493 |
| London Health Sciences Foundation [b] | **2,296** | 840 |
| Academic Medical Organization of Southwestern Ontario [c] | **13,950** | 14,378 |
| | **24,061** | 26,711 |

### [a] London Health Sciences Centre Research Inc. ["LHSCRI"]

LHSCRI is incorporated without share capital under the laws of Ontario. The Centre entered into an agreement with St. Joseph's Health Care, London ["SJHC"], Lawson Research Institute, and LHSCRI to form a Board to conduct joint research activities as the Lawson Health Research Institute. Each venturer continues to account for costs independently.

[in thousands of dollars]

The Centre provided approximately $459 [2013 - $459] in funding to LHSCRI to assist with the operations of LHSCRI. In addition, facilities and certain administrative functions are provided at no cost to LHSCRI.

LHSCRI relies on the Centre to provide payroll and other administrative support and reimburses the Centre for costs incurred on its behalf. During the year, LHSCRI made payments of $353 [2013 - $350] to the Centre for sharing of infrastructure costs.

Included in the amounts due from LHSCRI is $4,726 [2013 - $4,900], the disbursement of which is at the discretion of the Centre.

## [b] London Health Sciences Foundation [the "Foundation"]

The Foundation is incorporated without share capital under the laws of Ontario. The Foundation relies on the Centre to provide payroll, facilities and other administrative support and reimburses the Centre for costs incurred on its behalf.

During the year, the Foundation contributed funds to the Centre for capital, patient care, education and research needs of the Centre as set out below:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Capital | **2,188** | 5,395 |
| Patient Care | **1,276** | 1,069 |
| Education | **508** | 773 |
| Research | **169** | 47 |
| | **4,141** | 7,284 |

The Centre also has an agreement to lease its parking facilities to the Foundation through lease and sublease arrangements and a management agreement with the Foundation whereby the Centre was appointed manager of the parking facilities. The Centre recorded revenue of $12,472 [2013 - $11,867] related to these agreements during the year.

## [c] Academic Medical Organization of Southwestern Ontario ["AMOSO"]

AMOSO is an unincorporated association and its members include: the Clinical Teachers' Association of Western University; Western University; the Centre; and SJHC. The members are concerned with medical education, basic and applied health research, and the provision of clinical services to the population served by the Centre.

The Centre has a working agreement with AMOSO whereby funding is collected and administered by the Centre on behalf of AMOSO.

## [d] Healthcare Materials Management Services ["HMMS"]

HMMS is an unincorporated joint venture ["JV"] between the Centre and SJHC, created to consolidate purchasing, warehousing, distribution and payment processing functions and to provide similar services to other healthcare institutions. Operating costs are allocated to the Centre and SJHC based on a pre-determined cost-sharing formula and expensed to operations as a purchased service. The Centre accounts for this JV using the modified equity basis of accounting *[note 17]*.

HMMS has bank credit facilities consisting of a $10,000 operating line of credit. The Joint Venture Agreement restricts each partner's maximum credit liability based upon the partner's utilization of the JV. As at March 31, 2014, the Centre had provided a guarantee for up to $8,000 in support of the $10,000 operating line of credit. In the event that HMMS is unable to fulfill its debt obligations, the Centre will be responsible for the guaranteed amount. As at March 31, 2014, HMMS had not drawn on its operating line of credit [2013 - nil].

## [e] London Laboratory Services Group ["LLSG"]

The Centre and SJHC entered into a JV to consolidate all laboratory services and provide all laboratory and pathology services to the Centre and SJHC in their delivery of patient care. The Centre accounts for this JV using the modified equity basis of accounting *[note 17]*.

The services purchased from LLSG for the year ended March 31, 2014 were $42,344 [2013 - $40,814].

## [f] Information Technology Purchased Services

Information Technology Purchased Services is an unincorporated JV established to develop and operate a shared electronic health information management system across the region. Purchased services include information systems related to electronic patient records, picture archiving and communication, and general ledger applications. The Centre accounts for this JV using the modified equity basis of accounting *[note 17]*.

[in thousands of dollars]

Information Technology Purchased Services relies on the Centre to provide payroll, facilities and other administrative support, and reimburses the Centre for costs incurred on its behalf. During the year, the Centre incurred total operating costs of $9,399 [2013 - $8,360] on behalf of Information Technology Purchased Services. As at March 31, 2014, Information Technology Purchased Services owed $456 [2013 - $886] to the Centre with respect to these costs. The Centre paid $1,788 [2013 - $1,989] to Information Technology Purchased Services for the Centre's share of operating costs during the year.

### [g] Western ProResp Inc.

Western ProResp Inc. was incorporated as a JV between the Centre and a third party for the purposes of providing home care services to clients in Middlesex and Elgin Counties. The Centre has a 50% interest in Western ProResp Inc., and accounts for this JV using the modified equity basis of accounting *[note 17]*.

## 17. INVESTMENT IN JOINT VENTURES

The Centre has entered into the following joint ventures, which are accounted for on the modified equity basis of accounting as follows:

| | **2014**<br>$ | **2013**<br>$ |
|---|---|---|
| Investment in Western ProResp Inc. | **2,353** | 2,222 |
| Investment in HMMS | **1,913** | 1,302 |
| Investment in LLSG | **3,005** | 3,226 |
| Investment in Information Technology Purchased Services | **—** | — |
| | **7,271** | 6,750 |

**London Health Sciences Centre**

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

The Centre's share of the joint ventures' assets, liabilities, operations and cash flows are as follows:

| | 2014 | | |
|---|---|---|---|
| | **LLSG** | **Other** | **Total** |
| | $ | $ | $ |
| Centre's share of current year revenue | **51,365** | **11,635** | **63,000** |
| Centre's share of current year expense | **(52,394)** | **(11,735)** | **(64,129)** |
| **Centre's share of current year net loss** | **(1,029)** | **(100)** | **(1,129)** |
| Centre's share of total assets | **3,731** | **32,641** | **36,372** |
| Centre's share of total liabilities | **560** | **29,641** | **30,201** |
| Centre's share of cash provided by operating activities | **460** | **1,973** | **2,433** |
| Centre's share of cash used in investing activities | **(806)** | **(906)** | **(1,712)** |
| Centre's share of cash provided by financing activities | **346** | **743** | **1,089** |
| **Centre's share of cash provided by operating, investing and financing activities** | **—** | **1,810** | **1,810** |

| | 2013 | | |
|---|---|---|---|
| | **LLSG** | **Other** | **Total** |
| | $ | $ | $ |
| Centre's share of current year revenue | 53,647 | 12,188 | 65,835 |
| Centre's share of current year expense | (54,621) | (12,066) | (66,687) |
| **Centre's share of current year net income (loss)** | (974) | 122 | (852) |
| Centre's share of total assets | 3,954 | 36,656 | 40,610 |
| Centre's share of total liabilities | 569 | 34,396 | 34,965 |
| Centre's share of cash used in operating activities | (173) | (186) | (359) |
| Centre's share of cash used in investing activities | (960) | (247) | (1,207) |
| Centre's share of cash provided by (used in) financing activities | 1,133 | (76) | 1,057 |
| **Centre's share of cash used in operating, investing and financing activities** | — | (509) | (509) |

Other includes Western ProResp Inc., HMMS and Information Technology Purchased Services.

**London Health Sciences Centre**

# NOTES TO FINANCIAL STATEMENTS

March 31, 2014
[in thousands of dollars]

## 18. CLINICAL EDUCATION

The Centre provides education to medical students, residents and fellows, for which it receives funding from the MOHLTC. Any unspent funds are returned to the MOHLTC and any over-expenditure is the responsibility of the Centre. The total of revenue and expenses is included in the Centre's statement of operations.

During the year, the Clinical Education program incurred expenses of $62,913 and received funding of $59,624 from the MOHLTC as follows:

| | **2014** | **2013** |
|---|---|---|
| | $ | $ |
| Revenue | **59,624** | 58,369 |
| Expenses | **62,913** | 61,649 |
| **Excess of expenses over revenue** | **(3,289)** | (3,280) |

## 19. RESTRUCTURING AND AMALGAMATION COSTS

Restructuring and amalgamation costs include one-time operating expenses related to implementation of the HSRC directives including planning, transition, communication, and staffing costs.