



2013 Financial Report

Message from the President and CEO, and the Chair, Board of Directors

Inside this report you will find London Health Sciences Centre's condensed audited financial statements for 2012/2013. We are pleased to report that LHSC has maintained a positive financial position throughout the past fiscal year and we want to thank the committed staff, physicians, students and volunteers who helped make this possible.

Our leadership team began a multi-year journey of cultural transformation 18 months ago, shifting our organization to one that emphasizes high-performing teams, systems thinking, empowerment, collaboration and accountability. This shift is positioning LHSC to become a leader in providing excellence in patient-centred care while contributing to the larger-scale transformation in how health care is being delivered in the province.

Ontario's aging population and fiscal challenges have created a need to change how health care is delivered and LHSC supports health-system transformation to build a stronger and more sustainable model for generations to come. As health care leaders with a legacy of innovation, LHSC wants to help define the future to enhance quality and improve the patient experience while reducing overall health-care system costs.

LHSC continues to seek new ways to improve the lives and outcomes of our patients. Since 2012 we have added five Canadian, North American and world firsts to our list of medical breakthroughs. Our focus on continuous quality improvement is leading to improved metrics in performance, and our increased community partnerships are helping to improve how we deliver patient-centred care.

Amazing things continue to happen at LHSC and we are proud of the many roles we play in the lives of people in London and throughout Ontario. Through our three strategic goals of performance excellence, academic and scholarly leadership, and exemplary partnerships, LHSC is embracing the future of health care while continuing our focus on those we serve — our patients, their families and our community.

Bonnie Adamson
President and Chief Executive Officer

Ruthe Anne Conyngham
Chair, Board of Directors

Independent Auditors' Report on the Summary Financial Statements

To the Board of Directors of London Health Sciences Centre

The accompanying summary financial statements, which comprise the summary statements of financial position as at March 31, 2013 and 2012 and April 1, 2011, the summary statements of operations and cash flows for the years ended March 31, 2013 and 2012, are derived from the audited financial statements of London Health Sciences Centre for the years ended as noted above. We expressed an unmodified audit opinion on those financial statements in our auditors' report dated May 29, 2013.

The summary financial statements do not contain all the disclosures required by Canadian public sector accounting standards applied in the preparation of the audited financial statements of London Health Sciences Centre. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of London Health Sciences Centre.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in the Basis of Presentation note.

Auditors' responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of London Health Sciences Centre for the years ended March 31, 2013 and 2012 are consistent, in all material respects, with those financial statements, on the basis described in the Basis of Presentation note.



Chartered Accountants
Licensed Public Accountants
London, Canada
May 29, 2013.

Management's Summary Financial Results March 31, 2013

Summary Statements of Financial Position

London Health Sciences Centre (LHSC) continued its strong financial performance during the past fiscal year. A current ratio of 1.6:1 is the result of a financial decision that is strategic in nature and focuses on LHSC's liquidity in order to deal with expected future funding and operating expense challenges. Current and long-term obligations under various debt agreements are adequately covered and supported by sound business plans and cashflows.

Summary Statements of Operations

LHSC ended the year with a GAAP surplus of \$32.1 million or an operating margin of 2.9% of total revenues. This strong financial performance is the result of better than anticipated revenues in other revenues and prior year recoveries from the MOHLTC/LHIN, and favourable labour and supplies expenses. LHSC's focus on administrative and clinical efficiencies, optimization of revenue sources, and continued replenishment of working capital will strategically position the organization to respond to the evolving fiscal environment in the health-care sector.

Summary Statements of Cash Flows

LHSC invested \$37.1 million in clinical capital, building service equipment, information systems and buildings during the year. In addition, LHSC spent \$30.4 million in

Milestone 2 redevelopment costs which is funded on a cost share basis with the MOHLTC and \$32.9 million in externally funded or recoverable capital projects.

Capital spending is financed through a combination of operations and deferred contributions from both levels of government, the London Health Sciences Foundation and Children's Health Foundation.

Total cash of \$214.1 million consists of restricted cash and portfolio investments of \$23 million in order to discharge certain future obligations and \$191.1 million in unrestricted cash and cash equivalents.

Basis of Presentation

The information contained in the summary financial statements is in agreement with the related information in the complete audited financial statements. The summary statements contain major subtotals and totals from the complete financial statements.

Summary Statements of Financial Position

	March 31, 2013 (000's)	March 31, 2012 (000's)	April 1, 2011 (000's)
ASSETS			
Current assets	\$ 299,848	\$ 303,096	\$ 205,708
Restricted cash and investments	\$ 10,792	\$ 10,607	\$ 12,746
Capital assets	\$ 923,751	\$ 874,808	\$ 804,179
	\$ 1,234,391	\$ 1,188,511	\$ 1,022,633
LIABILITIES, DEFERRED CONTRIBUTIONS, NET ASSETS, REMEASUREMENT GAINS AND LOSSES			
Current liabilities	\$ 185,141	\$ 192,429	\$ 173,730
Long-term liabilities and deferred contributions	\$ 789,274	\$ 767,113	\$ 652,848
Unrestricted net assets	\$ 277,953	\$ 228,969	\$ 196,055
Accumulated remeasurement gains and losses	\$ (17,977)	\$ —	\$ —
	\$ 1,234,391	\$ 1,188,511	\$ 1,022,633

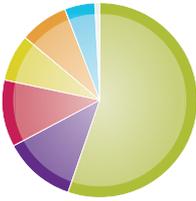
Summary Statements of Operations

	March 31, 2013 (000's)	March 31, 2012 (000's)
REVENUES		
Ministry of Health and Long-Term Care and Local Health Integration Network	\$ 926,850	\$ 899,840
Other	\$ 198,048	\$ 184,119
	\$ 1,124,898	\$ 1,083,959
EXPENSES		
Salaries and benefits	\$ 729,981	\$ 695,887
Other	\$ 362,813	\$ 346,528
	\$ 1,092,794	\$ 1,042,415
Excess of revenues over expenses	\$ 32,104	\$ 41,544

Summary Statements of Cash Flows

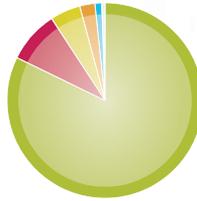
	March 31, 2013 (000's)	March 31, 2012 (000's)
CASH PROVIDED BY (USED IN):		
Operating Activities	\$ 62,506	\$ 123,479
Financing Activities	\$ 25,499	\$ 106,116
Investing Activities	\$ (185)	\$ 2,139
Capital Activities	\$ (100,481)	\$ (123,578)
Net increase (decrease) in cash	\$ (12,661)	\$ 108,156
Cash, beginning of year	\$ 222,716	\$ 114,560
Cash, end of year	\$ 210,055	\$ 222,716

**Total Expenses (%)
by Cost Component**
(\$1,093 Million)



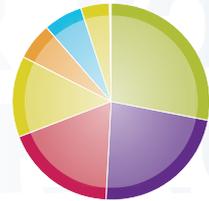
- Salaries and Wages 55.5%
- Supplies and Other 11.8%
- Employee Benefits 11.3%
- Drugs 8.0%
- Medical and Surgical Supplies 7.7%
- Amortization of Capital Assets 4.9%
- Interest and Other 0.8%

**Total Revenue (%)
by Type**
(\$1,125 Million)



- MOHLTC and LHIN 82.4%
- Non-patient 8.6%
- Patient 4.9%
- Amortization of Deferred Contributions 2.5%
- Preferred Accommodation 1.3%
- Interest 0.3%

**Total Expenses (%)
by Type**
(\$1,093 Million)



- Inpatient Services 28.1%
- Diagnostic and Therapeutic 23.0%
- Administration and Support 18.2%
- Outpatient Services 13.2%
- Undistributed 6.3%
- Other Votes 6.2%
- Amortization 4.9%
- Other Funding Sources 0.1%

Audited financial statements are available on London Health Sciences Centre's website: www.lhsc.on.ca

Message from the Treasurer of the Board of Directors

I am pleased to report on the financial results of London Health Sciences Centre (LHSC) for the fiscal year ended March 31, 2013.

LHSC ended the year in a healthy financial position. During the year, LHSC continued its strong financial stewardship of our limited health care resources in light of funding reductions. As we enter a period of further austerity, our strong balance sheet will enable LHSC to invest in much needed corporate strategic initiatives that are in line with our calls to action, specifically patient access and infection safety.

The provincial economic environment will require LHSC to continually examine further cost reductions and efficiencies. In this regard, we continue to adapt to the new Health System Funding Reform (HSFR) and actively monitor, participate and guide key policy decisions arising from this provincial initiative. At time of writing, the Local Health Integration Network (LHIN) and Ministry of Health and Long-Term Care (MOHLTC) had not officially announced funding adjustments to Ontario hospitals for 13/14. Based on preliminary review of hospital cost data, we are expecting yet another funding decrease and will respond accordingly to ensure our healthy financial situation does not erode in the near future.

As we enter this period of funding reform, we have no doubt that regional partnerships with both community hospitals and other health care agencies will play an increasingly important role in finding innovative ways to increase quality, address patient demands and find further operating efficiencies. LHSC continues to explore these regional opportunities with our care partners.

It is an exciting time to be a leader in health care. The prudent financial strategies implemented over the past few years by management have positioned LHSC very well to respond to a changing and dynamic environment. I want to thank the staff, physicians and management who collectively make LHSC the leading and innovative organization that it is.

I also want to acknowledge and sincerely thank the volunteer members of the Finance & Audit Committee for their tireless commitment to the work of the committee and the hospital during the past year.

Michelle Faysal
Treasurer, Board of Directors
London Health Sciences Centre