



London Health Sciences Centre

# 2012 Financial Report

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

We are pleased to present London Health Sciences Centre's condensed audited financial statements for 2011/2012, which demonstrate the positive financial position that we were able to achieve during the past fiscal year. This would not have been possible without the extraordinary people at LHSC—our skilled and committed staff, physicians, students and volunteers. LHSC will face challenging financial times ahead and this positions us well to meet these challenges.

We are actively building a new culture at LHSC, and ensuring that LHSC can continue to deliver excellence in patient-centred care during the health-care transformation underway in Ontario.

As we are addressing the long-term implications of new funding models and system-wide changes to service delivery, LHSC is ensuring that we continue our focus on our patients and we have implemented a robust strategic planning process with clearly defined objectives, measures, and accountabilities. We are continuing to strengthen our governance processes as well as our transparency and accountability to our stakeholders and our community.

We are highly energized by the extraordinary people at LHSC, the exceptional experiences that occur every day within our walls, and the engaging partnerships that together will help to extend our legacy of compassionate, innovative, and high-quality care in London and the region for generations to come.

A handwritten signature in cursive script, reading 'Bonnie Adamson'.

Bonnie Adamson  
President & CEO

A handwritten signature in cursive script, reading 'Peter Johnson'.

Peter Johnson  
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 statement of financial position as at March 31, 2012, the summary statements of operations and cash flows for the year then ended, are derived from the audited financial statements of London Health Sciences Centre for the year ended March 31, 2012. We expressed an unmodified audit opinion on those financial statements in our auditors' report dated May 30, 2012.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles 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 (CAS) 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 year ended March 31, 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 30, 2012

## Management's Summary Financial Results – March 31, 2012

### Summary Statement 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 Statement of Operations

LHSC ended the year with a GAAP surplus of \$45.1 million or an operating margin of 4.2% of total revenues. This strong financial

performance is the result of better than anticipated revenues in the Ministry of Health and Long Term Care (MOHLTC), Local Health Integration Network (LHIN) and other revenues and slightly favourable labour and supplies expenses. Included in the MOHLTC and LHIN revenues 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 a very uncertain economic future.

Included in the MOHLTC and LHIN revenues are obligations related to unmet service volumes in priority and wait-time funding initiatives.

## Summary Statement of Financial Position

	2012 (000's)		2011 (000's)	
<b>ASSETS</b>				
Current assets	\$	299,578	\$	202,676
Restricted cash and investments	\$	10,607	\$	12,746
Capital assets	\$	875,232	\$	804,179
	\$	<b>1,185,417</b>	\$	<b>1,019,601</b>
<b>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</b>				
Current liabilities	\$	189,334	\$	170,697
Long-term liabilities and deferred contributions	\$	762,797	\$	652,139
Net assets	\$	233,286	\$	196,765
	\$	<b>1,185,417</b>	\$	<b>1,019,601</b>

## Summary Statement of Operations

	2012 (000's)		2011 (000's)	
<b>REVENUES</b>				
Ministry of Health and Long-Term Care and Local Health Integration Network	\$	899,840	\$	828,804
Other	\$	184,119	\$	173,924
	\$	<b>1,083,959</b>	\$	<b>1,002,728</b>
<b>EXPENSES</b>				
Salaries and benefits	\$	692,280	\$	629,054
Other	\$	346,528	\$	325,046
	\$	<b>1,038,808</b>	\$	<b>954,100</b>
<b>Excess of revenues over expenses</b>	\$	<b>45,151</b>	\$	<b>48,628</b>

## Summary Statement of Cash Flows

	2012 (000's)		2011 (000's)	
<b>CASH PROVIDED BY (USED IN):</b>				
Operating Activities	\$	125,460	\$	79,389
Financing Activities	\$	104,135	\$	(27,228)
Investing Activities	\$	(124,774)	\$	(132,689)
<b>Net increase (decrease) in cash</b>	\$	<b>104,821</b>	\$	<b>(80,528)</b>
<b>Cash, beginning of year</b>	\$	<b>121,656</b>	\$	<b>202,184</b>
<b>Cash, end of year</b>	\$	<b>226,477</b>	\$	<b>121,656</b>

### Summary Statement of Cash Flows

LHSC invested \$28.1 million in clinical capital, building service equipment, information systems and buildings during the year. In addition, LHSC spent \$33.5 million in Milestone 2 redevelopment costs which is funded on a cost share basis with the MOHLTC and \$62.3 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 \$226.5 million consists of restricted cash and investments of \$28.5 million in order to discharge

certain future obligations and \$198 million in 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.

# Message from the Chair of the Finance and Audit Committee

I am pleased to report on the financial results of London Health Sciences Centre (LHSC) for the fiscal year ended March 31, 2012.

LHSC ended the year with an operating margin of 4.2% of total revenues and a healthy working capital position. These financial results are encouraging and reflect sound budget management strategies during a year that resulted in the final transfer of clinical programs from St. Joseph's Health Care, London and the opening of post construction operating plan (PCOP) beds and additional patient volumes. As we enter a period of economic uncertainty, LHSC's strong financial position will allow the hospital to strategically align its resources with our calls to action, specifically patient access and flow and patient safety.

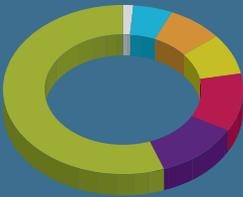
During the year, LHSC implemented a plan to comply with the *Broader Public Sector Accountability Act*. Management has proactively responded to the significant changes in this legislation that ultimately provide increased transparency to and accountability for hospital expenditures. We are very encouraged by management's response to these changes which included a rigorous attestation process.

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. LHSC has, however, been in discussions with the LHIN/MOHLTC and in response to these discussions, management is actively examining savings strategies that will allow the hospital to balance its budget in 2012/13. As the provincial government manages record-levels of debt, perhaps the silver lining of this era of cut backs and deficits is the impetus it will give to the broader system to work together and create an integrated system that serves our patients in London and region.

I wish to thank the volunteer members of the Finance & Audit Committee for their commitment to the work of the committee and the hospital during the past year. I also want to thank the staff, physicians and management who collectively make LHSC the proud institution that it is.

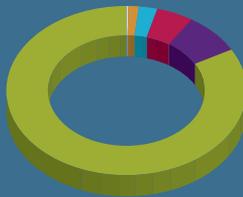
Gerry Wheaton  
 Chair, Finance and Audit Committee  
 Board of Directors, London Health Sciences Centre

**Total Expenses (%)  
 by Cost Component**  
 (\$1,039 Million)



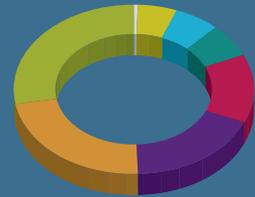
- Salaries and Wages 55.8%
- Supplies and Other 11.4%
- Employee Benefits 10.9%
- Medical and Surgical Supplies 7.8%
- Drugs 7.7%
- Amortization of Capital Assets 5.2%
- Interest and Other 1.2%

**Total Revenue (%)  
 by Type**  
 (\$1,084 Million)



- MOHLTC and LHIN 83.1%
- Non-patient 7.8%
- Patient 5.2%
- Amortization of Deferred Contributions 2.4%
- Preferred Accommodation 1.3%
- Investment 0.2%

**Total Expenses (%)  
 by Type**  
 (\$1,039 Million)



- Inpatient Services 27.8%
- Diagnostic and Therapeutic 23%
- Administration and Support 18%
- Outpatient Services 13.1%
- Other Votes 6.3%
- Undistributed 6.1%
- Amortization 5.3%
- Other Funding Sources 0.4%