

Chatham-Kent Health Alliance
Financial Statements
For the year ended March 31, 2011

**Chatham-Kent Health Alliance
Financial Statements
For the year ended March 31, 2011**

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Tel: 519 336 9900
Fax: 519 332 4828
www.bdo.ca

BDO Canada LLP
Kenwick Place, 250 Christina Street N
PO Box 730
Sarnia ON N7T 7J7 Canada

Independent Auditor's Report

To the Directors and Members of Chatham-Kent Health Alliance

We have audited the accompanying financial statements of Chatham-Kent Health Alliance which comprise the balance sheet as at March 31, 2011 and the statements of changes in net assets, revenue and expense and cash flow 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 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 auditor's judgment, including the assessment of the risk 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 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 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, these financial statements present fairly, in all material respects, the financial position of Chatham-Kent Health Alliance as at March 31, 2011 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
May 31, 2011

Chatham-Kent Health Alliance Balance Sheet

March 31

2011

2010

Assets

Current

Cash (Note 1)	\$ 3,070,308	\$ 5,170,406
Accounts receivable	4,952,594	4,625,873
Inventories	683,222	826,628
Prepaid expenses	1,406,714	1,508,745

10,112,838 12,131,652

Investments

Intangible properties (Note 2)	664,768	657,669
Capital assets (Note 3)	1,757,701	1,927,917
Loans receivable (Note 4)	87,320,761	88,385,419
	31,091	49,350

\$ 99,887,159 \$ 103,152,007

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 17,350,308	\$ 17,840,209
Deferred grants	1,324,586	795,003
Deferred contributions related to expenditures of future periods (Note 8(a))	-	465,366

18,674,894 19,100,578

Employee future benefit liability (Note 7)	423,450	478,968
Deferred contributions related to capital assets (Note 8(b))	57,561,245	58,869,986

76,659,589 78,449,532

Commitments (Note 11)

Contingent liabilities (Note 12)

Net assets

Net assets invested in capital assets (Note 9)	29,759,516	29,515,433
Net assets internally restricted (Note 10)	3,776,722	3,763,344
Unrestricted net assets (deficiency)	(10,308,668)	(8,576,302)

23,227,570 24,702,475

\$ 99,887,159 \$ 103,152,007

On

Director

Director

Chatham-Kent Health Alliance
Statement of Changes in Net Assets

For the year ended March 31, 2011

	Invested in Capital Assets	Restricted	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	\$ 29,515,433	\$ 3,763,344	\$ (8,576,302)	\$ 24,702,475	\$ 25,342,156
Excess (deficiency) of revenue over expense (Note 9)	(3,342,024)	-	1,867,119	(1,474,905)	(639,681)
Investment in capital assets (Note 9)	3,586,107	-	(3,586,107)	-	-
Transfer to restricted	-	13,378	(13,378)	-	-
Balance, end of year	\$ 29,759,516	\$ 3,776,722	\$ (10,308,668)	\$ 23,227,570	\$ 24,702,475

Chatham-Kent Health Alliance Statement of Revenue and Expense

For the year ended March 31	2011	2010
Hospital Operations		
Revenue		
Ministry of Health and Long-Term Care		
Base allocation	\$ 102,641,599	\$ 98,355,283
One-time payments	6,140,970	4,303,951
Cancer care	2,204,168	2,136,518
Paymaster	443,328	594,900
	111,430,065	105,390,652
Patient revenue from other payors	14,262,053	14,592,121
Differential and co-payment	2,669,648	3,246,231
Recoveries and miscellaneous	4,348,858	4,722,248
Amortization of deferred capital contributions	1,118,695	1,222,194
	133,829,319	129,173,446
Expenses		
Salaries and wages	67,634,649	64,131,994
Employee benefits	18,286,334	16,996,923
Supplies and expenses	18,797,722	18,731,871
Medical staff remuneration	14,671,800	14,140,663
Medical and surgical supplies	6,870,845	6,327,281
Drugs and medical gases	4,426,523	4,389,630
Amortization of equipment	3,707,407	4,155,382
Interest	1,600	588
Bad debts	160,378	233,311
	134,557,258	129,107,643
Excess (deficiency) of revenue over expenses from hospital operations	(727,939)	65,803
Other votes		
Revenue	6,113,381	6,220,386
Expenses	6,113,381	6,271,169
	-	(50,783)
Other funding sources		
Revenue	54,171	59,091
Expenses	47,827	47,352
	6,344	11,739
Building operations		
Amortization of deferred capital contributions	1,837,287	1,831,434
Gain (loss) on sale of capital assets	(107,710)	76,252
Amortization	(2,482,887)	(2,574,126)
	(753,310)	(666,440)
Deficiency of revenue over expenses	\$ (1,474,905)	\$ (639,681)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chatham-Kent Health Alliance Statement of Cash Flow

For the year ended March 31

2011

2010

Cash resources provided by (used in)

Operating activities

Deficiency of revenue over expenses	\$ (1,474,905)	\$ (639,681)
Items not involving cash		
Amortization of equipment	3,739,153	4,187,443
Amortization of land improvements and buildings	2,529,987	2,621,224
Amortization of intangible properties	424,708	667,991
Amortization of deferred capital contributions	(3,034,826)	(3,178,498)
Loss (gain) on sale of capital assets	107,710	(30,520)

2,291,827 3,627,959

Changes in non-cash working capital balances

Accounts receivable	(326,721)	159,760
Inventories	143,406	(39,964)
Prepaid expenses	102,031	(216,351)
Accounts payable and accrued liabilities	(489,901)	4,231,475
Deferred grants	529,583	287,850
Deferred contributions related to expenditures of future periods	(465,366)	129,370

1,784,859 8,180,099

Investing activities

Purchase of capital assets	(5,458,412)	(4,094,878)
Net proceeds on sale of capital assets	146,220	89,252
Net increase in investments	(7,099)	(19,481)
Loan receivable repayment	18,259	18,260
Purchase of intangible properties	(254,492)	(1,422,267)

(5,555,524) (5,429,114)

Financing activities

Deferred capital contributions	1,726,085	1,526,339
Decrease in employee future benefit liability	(55,518)	-

1,670,567 1,526,339

Increase (decrease) in cash resources during the year

(2,100,098) 4,277,324

Cash, beginning of year

5,170,406 893,082

Cash, end of year

\$ 3,070,308 \$ 5,170,406

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chatham-Kent Health Alliance Summary of Significant Accounting Policies

March 31, 2011

Nature of Business

The Chatham-Kent Health Alliance is a partnership between The Public General Hospital Society of Chatham, St. Joseph's Health Services Association of Chatham, Incorporated and Sydenham District Hospital. The Alliance partnership was formed in 1998 as result of the report issued by the Health Services Restructuring Commission (HSRC). The partnership is operated and governed by the terms and conditions contained in the Alliance agreement. Under the terms of the Alliance agreement the three hospitals have made substantially all of their operating assets available to the partnership including land, buildings, equipment, and revenue from the Ministry of Health and Long-Term Care and other services. The three hospitals share, in proportion to their 1998 revenues, in the financial results and specified capital additions of the Alliance. The Alliance is governed by the Tri-Board which has equal representation from each hospital.

All three hospitals are registered charities under the Income Tax Act and accordingly are exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

The Alliance follows the deferral method of accounting for contributions which include donations and government grants.

The Alliance is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income on unspent deferred contributions, if restricted for future use, is deferred as a component of such contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

Chatham-Kent Health Alliance Summary of Significant Accounting Policies

March 31, 2011

Contributed Services	Volunteers contribute numerous hours to assist the Alliance in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.						
Ministry of Health and Long-Term Care Funding	Under the Health Insurance Act and the regulations thereto, the Alliance is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2011.						
Inventories	Inventory is valued at the lower of cost and net realizable value.						
Capital Assets	Capital assets are stated at cost and amortized on a straight-line basis over their estimated useful lives at the following annual rates: <table style="margin-left: 40px;"><tr><td>Land improvements</td><td style="text-align: right;">6.67%</td></tr><tr><td>Buildings</td><td style="text-align: right;">2.5 - 5%</td></tr><tr><td>Equipment</td><td style="text-align: right;">4 - 100%</td></tr></table> Amortization of a specific asset is not recorded until the asset has been placed into use.	Land improvements	6.67%	Buildings	2.5 - 5%	Equipment	4 - 100%
Land improvements	6.67%						
Buildings	2.5 - 5%						
Equipment	4 - 100%						
Intangible Properties	Intangible properties consist of amounts incurred for specific information technology hardware and software projects. It has been determined that the benefit of these amounts will go beyond the current fiscal year and thus will be amortized based on the estimated useful life of the asset.						
Compensated Absences	Compensated absences are accrued for all employees as entitlement to the payments is earned, in accordance with Chatham-Kent Health Alliance's benefit plans for vacation, sick leave, and retirement allowances.						
Financial Instruments	The Alliance utilizes various financial instruments. All transactions related to financial instruments are recorded on a settlement date basis. Transaction costs for all categories are expensed as incurred The Alliance classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Alliance's accounting policy for each category is as follows:						

Chatham-Kent Health Alliance Summary of Significant Accounting Policies

March 31, 2011

Financial Instruments Continued

Held-for-trading

This category is comprised of cash. It is recorded in the balance sheet at fair value with changes in fair value recognized in the statement of revenue and expense.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for the promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Alliance's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, other short-term monetary liabilities and bank borrowings. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Restricted Net Assets

The Alliance records certain contributions in the trust and internally restricted funds. The trust funds are restricted for the purpose of certain hospital activities and educational development.

Employee Future Benefit Liability

Employee future benefit liability is actuarially determined and reflects management's best estimate of future cost trends associated with such benefits and interest rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.

Chatham-Kent Health Alliance Summary of Significant Accounting Policies

March 31, 2011

Pension Plan

The Hospital is an employer-member of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Capital Disclosure

The Alliance considers its capital to be its net assets, restricted and unrestricted. Its restricted net assets consist of amounts for certain hospital activities and educational development and of amounts invested in capital assets. The Alliance's objective when managing its capital is to safeguard its ability to continue to provide services to its patients. Annual budgets are developed and monitored to ensure the Alliance's capital is maintained at an appropriate level.

Chatham-Kent Health Alliance Notes to Financial Statements

March 31, 2011

1. Cash/Bank Indebtedness

The Alliance's bank accounts are maintained at one chartered bank. The bank accounts earn interest from .09% to 4.3%. The Alliance has a demand operating credit facility that bears interest at the bank's prime rate minus .75%. The amount available under the credit facility is \$4,000,000.

2. Intangible Properties

	2011	2010
Software and license costs	\$ 3,790,684	\$ 3,536,192
Less accumulated amortization	(2,032,983)	(1,608,275)
	\$ 1,757,701	\$ 1,927,917

3. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and land improvements	\$ 6,564,250	\$ 1,725,591	\$ 6,818,180	\$ 1,615,639
Buildings	102,550,849	29,897,833	98,743,218	27,477,799
Equipment	94,212,353	84,768,126	92,946,431	81,028,972
Construction in progress	384,859	-	-	-
	\$ 203,712,311	\$ 116,391,550	\$ 198,507,829	\$ 110,122,410
Net book value		\$ 87,320,761		\$ 88,385,419

4. Loans Receivable

Various amounts have been advanced under the Alliance physician recruitment initiative. The amounts are classified as loans which are to be repaid when the physician begins providing service to the Alliance. The loans are interest free and are repayable from 2011 to 2013.

Chatham-Kent Health Alliance Notes to Financial Statements

March 31, 2011

5. Ministry of Health and Long-Term Care Funding Accrual

The Alliance has not yet achieved the targets set out in the Hospital Service Accountability Agreement for 2008 to 2010. The Alliance has provided for the repayment of a portion of the base funding as a result of the failure to achieve the targets. The amount accrued to date is approximately \$5,300,000 and is included in accounts payable and accrued liabilities. It is possible that the actual settlement for the three years will vary from the amounts accrued in the financial statements, although the estimates are based on management's best information and judgment at the time.

6. Pension Plan

Healthcare of Ontario Pension Plan (HOOPP), provides pension services to more than 260,000 active and retired members and approximately 370 employers. Each year an independent actuary determines the funding status of HOOPP (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent actuarial valuation as at December 31, 2010 disclosed an actuarial surplus of \$176 million. The results of this valuation disclosed total actuarial liabilities of \$34,897 million in respect of benefits accrued for service with actuarial assets at that date of \$35,073 million. Because HOOPP is a multi-employer plan, any pension surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions to the plan made during the year on behalf of its employees amounted to \$5,490,023 (\$5,513,131 in 2010) and are included in employee benefits in the statement of revenue and expense for the Alliance.

7. Employee Future Benefit Liability

The Alliance provides extended health care, dental and life insurance benefits to various former employees. As part of the restructuring plan, post-retirement benefits were provided to employees accepting retirement packages.

Accrued benefit obligation	\$	423,450	\$	478,968
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The significant actuarial assumptions adopted in estimating the Alliance's accrued benefit obligation are as follows:

Discount rate	5.75%
Dental benefits escalation	4.5%
Medical benefits cost escalation - extended health care	7.69% grading down over 18 years to an ultimate rate of 4.5%

The actuarial valuation is for the period April 1, 2010 - March 31, 2011. Included in employee benefits on the statement of revenue and expense is an amount of \$26,680 regarding employee future benefits.

**Chatham-Kent Health Alliance
Notes to Financial Statements**

March 31, 2011

8. Deferred Contributions

(a) Expenditures of future periods

Deferred contributions related to expenditures of future periods represent unspent donations and unspent Ministry of Health and Long-term Care funding for capital assets.

	2011	2010
Balance, beginning of year	\$ 465,366	\$ 335,996
Contributions received	-	465,366
Capital assets purchased	(465,366)	(335,996)
Balance, end of year	\$ -	\$ 465,366

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for capital assets acquired. The amortization of capital contributions is recorded in the statement of revenue and expense.

	2011	2010
Balance, beginning of year	\$ 58,869,986	\$ 60,522,145
Additional capital contributions	1,726,085	1,526,339
Less: amounts amortized to revenue	(3,034,826)	(3,178,498)
Balance, end of year	\$ 57,561,245	\$ 58,869,986

9. Net Assets Invested in Capital Assets

(a) Investment in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 87,320,761	\$ 88,385,419
Amounts financed by:		
Deferred capital contributions related to capital assets	(57,561,245)	(58,869,986)
	\$ 29,759,516	\$ 29,515,433

**Chatham-Kent Health Alliance
Notes to Financial Statements**

March 31, 2011

9. Net Assets Invested in Capital Assets (continued)

(b) Change in net assets invested in capital assets is calculated as follows:

	2011	2010
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ 3,034,826	\$ 3,178,498
Amortization of capital assets	(6,269,140)	(6,808,667)
Gain (loss) on sale of capital assets	(107,710)	30,520
	\$ (3,342,024)	\$ (3,599,649)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 5,458,412	\$ 4,094,878
Amount funded by:		
Deferred capital contributions	(1,726,085)	(1,526,339)
Proceeds on sale of capital assets	(146,220)	(89,252)
	\$ 3,586,107	\$ 2,479,287

10. Net Assets Internally Restricted

The restricted net assets of The Public General Hospital Society consist of funds held in trust that may be used for certain hospital activities and educational development. The funds amount to \$103,049 (\$102,543 in 2010).

The restricted net assets of St. Joseph's Health Services Association of Chatham, Incorporated at the end of the year consist of funds restricted for working capital. The balance at March 31, 2011 is \$3,000,000 (\$3,000,000 in 2010).

The restricted net assets of Sydenham District Hospital consist of funds internally restricted for the purchase of educational aids and operating room equipment. The funds at March 31, 2011 amount to \$673,673 (\$660,801 in 2010).

11. Commitments

The Alliance has entered into a contract for building and building equipment upgrades in order to reduce energy and operation costs. The project is expected to cost \$6,089,148, of which \$4,076,291 has been spent to March 31, 2011.

Chatham-Kent Health Alliance Notes to Financial Statements

March 31, 2011

12. Contingent Liabilities

The nature of the Alliance's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2011 management believes the Alliance has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Alliance's financial position.

Chatham-Kent Health Alliance is a member of PROcure Healthcare, a not-for-profit corporation without share capital under the laws of the Province of Ontario. The organization has been established to purchase and manage supplies on behalf of the Alliance. The Alliance has issued a guarantee in the amount of \$779,438 on behalf of PROcure.

13. Related Party Transactions

Foundations

The Foundation of Chatham-Kent Health Alliance, Public General Hospital Foundation, St. Joseph's Foundation and Sydenham District Hospital Foundation are related entities incorporated without share capital under the laws of Ontario. The objectives of the Foundations are the enhancement and improvement of services and patient care provided by the Alliance. Donations to the Alliance from the Foundations' boards of directors are required to meet prioritized needs not funded by the traditional sources. The net assets and results from operations of the Foundations are not included in the financial statements of the Alliance.

The receivable from the Foundations at March 31, 2011 is \$126,654 (\$40,208 in 2010) and has been included in accounts receivable. The Alliance received \$1,180,163 (\$1,164,769 in 2010) in deferred capital donations during the year and \$717,365 for physician recruitment and foundation operating expenses.

Consolidated Health Information Services (CHIS)

The Chatham-Kent Health Alliance (CKHA) and Windsor Regional Hospital (WRH) established a not-for-profit corporation without share capital under the laws of the Province of Ontario. On August 1, 2008, Bluewater Health and during the year Leamington District Memorial Hospital and Hotel Dieu Grace Hospital joined the organization. CHIS provides information technology and system (IT/IS) services to all five hospitals in the Erie St. Clair Local Health Integration Network. These services are provided at rates designed to reflect the costs and expenses incurred by CHIS in the normal course of business. Annual operating expenses are allocated between the hospitals based on the provincial government funding provided to each hospital as of the most recent fiscal year. CHIS provides IT/IS service to other organizations, which is based on a fee by project basis. In addition, CKHA contributes toward approved capital improvements and other costs incurred by CHIS.

Chatham-Kent Health Alliance Notes to Financial Statements

March 31, 2011

13. Related Party Transactions (continued)

Consolidated Health Information Services (CHIS)

During the year, CKHA paid \$2,327,479 (\$1,933,339 in 2010) to CHIS for IT/IS services that are included in supplies and expenses in the statement of revenue and expense. During the year, CKHA paid \$1,010,294 (\$1,462,267 in 2010) to CHIS for IT software and hardware contracts under capital lease that have been recorded as intangible assets. CKHA received a credit during the year in the amount of \$755,801 from CHIS to be used for future projects.

During the year, CKHA made working capital advances to CHIS. The balance receivable from CHIS at March 31, 2011 is \$844,485 (\$91,867 in 2010) and has been included in accounts receivable.

CHIS currently carries a \$250,000 operating line of credit through a chartered bank. CKHA, Bluewater Health and WRH have provided separate guarantees in support of that operating line.

PROcure Healthcare

Chatham-Kent Health Alliance is a member of a group of five hospitals within the Erie St. Clair Local Health Integration Network (ESC LHIN) which have voluntarily agreed to enter into a joint project for the purpose of planning, developing, implementing and operating a share regional supply chain project (procurement, logistics and contract management). The initiative will enable timely and efficient access to medical-surgical supplies and services while supporting quality outcomes for patients and providing financial savings. A non-profit corporation (PROcure Healthcare) has been created to manage and provide oversight of the services. Each of the participating hospitals is a voting member of PROcure Healthcare and elects two independent board directors from within the ESC LHIN geographic area. The project has received start-up funding from the Ministry of Finance (OntarioBuys).

CKHA's share of the start-up costs payable to PROcure is \$497,960 which is included in accounts payable and accrued liabilities.

The receivable from the PROcure Healthcare at March 31, 2011 is \$77,023 and has been included in accounts receivable.