Grant Thornton

Financial Statements

St. Joseph's Care Group

March 31, 2018

Contents

Independent Auditor's Report

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To the Board of Directors of
St. Joseph's Care Group

We have audited the accompanying financial statements of St. Joseph's Care Group which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets, cash flows, and remeasurement gains and losses for the year ended March 31, 2018, 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.

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 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 auditor's 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 auditor considers 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 St. Joseph's Care Group as at March 31, 2018 and the results of its operations, changes in net assets, cash flows, and remeasurement gains and losses for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
June 13, 2018

Chartered Professional Accountants
Licensed Public Accountants

St. Joseph's Care Group **Statement 1**

Statement of Financial Position

As at March 31

	2018	2017
	$	$
	[Thousands of Dollars]	
ASSETS		
Current		
Cash	**17,007**	17,341
Accounts receivable - Ministry of Health and Long-Term Care/North West Local Health Integration Network	**890**	1,215
Accounts receivable	**4,335**	4,809
Inventory	**562**	566
Prepaid expenses	**638**	765
Total current assets	**23,432**	24,696
Restricted assets *[note 2]*		
Endowment Fund	**274**	271
Restricted Replacement Reserve Fund	**2,398**	1,970
Restricted Benefits Fund	**2,652**	2,446
Capital Expenditure Reserve Fund	**10,128**	10,004
Total restricted assets	**15,452**	14,691
Property, plant and equipment *[note 3]*	**220,460**	208,046
	259,344	247,433

See accompanying notes to the financial statements.

On behalf of the Board:

Gary Johnson
Director

Maureen Brophy
Director

St. Joseph's Care Group — Statement 1 (cont'd)
Statement of Financial Position

As at March 31	**2018**	2017
	$	$
	[Thousands of Dollars]	
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**27,624**	27,843
Long-term debt principal due within one year *[note 5]*	**1,759**	1,697
Employee future benefits *[note 7]*	**40**	40
Total current liabilities	**29,423**	29,580
Other accrued liabilities	**1,978**	2,446
Long-term debt - non-current amount *[note 5]*	**55,289**	59,443
Deferred capital contributions *[note 6]*	**120,792**	107,059
Employee future benefits - non-current *[note 7]*	**6,440**	6,489
NET ASSETS		
Investment in property, plant and equipment *[note 8[a]]*	**50,553**	50,175
Unrestricted	**(17,704)**	(17,225)
Restricted		
Restricted Benefits Fund	**2,652**	2,446
Capital Expenditure Reserve Fund	**10,128**	10,004
Endowment Fund	**274**	271
Restricted Replacement Reserve Fund *[note 9]*	**2,757**	2,378
Accumulated remeasurement losses *[statement 5]*	**(3,238)**	(5,633)
Total net assets	**45,422**	42,416
	259,344	247,433

St. Joseph's Care Group — Statement 2
Statement of Operations

Year ended March 31	**2018**	2017
	$	$
	[Thousands of Dollars]	
REVENUE ***[schedule 1]***		
North West Local Health Integration Network	**137,202**	133,890
Alternative Level of Care Co-Payment	**908**	1,161
Long-Term Care – resident's portion	**12,257**	10,468
Canada Mortgage and Housing Corporation	**—**	81
The District of Thunder Bay Social Services Administration Board	**306**	318
Program fees and rentals	**4,399**	4,186
Amortization of deferred contributions related to equipment	**191**	161
Municipal contributions	**363**	362
Other recoveries	**19,135**	17,848
	174,761	168,475
EXPENSES ***[schedule 1]***		
Amortization of equipment	**2,518**	2,525
Drugs	**1,143**	1,153
Interest on long-term debt	**1,728**	1,637
Medical and surgical supplies	**1,438**	1,407
Medical staff remuneration	**8,352**	8,744
Municipal taxes	**823**	630
Salaries and benefits	**125,438**	122,208
Supplies and other	**30,275**	29,083
	171,715	167,387
Excess of revenue over expenses before the following ***[schedule 1]***	**3,046**	1,088
Amortization of buildings/leaseholds	**(4,660)**	(4,439)
Amortization of deferred capital contributions related to building	**2,136**	2,056
Employee future benefits *[note 7]*	**(280)**	(265)
Loss on disposal of equipment	**(29)**	—
Restructuring	**398**	(426)
Excess (shortfall) of revenue over expenses for year	**611**	(1,986)

See accompanying notes to the financial statements.

St. Joseph's Care Group

Statement 3

Statement of Changes in Net Assets

Year ended March 31

	Investment in property, plant and equipment $	Endowment Fund $	Unrestricted $	Restricted Replacement Reserve Fund $	Restricted Benefits Fund $	Capital Expenditure Reserve Fund $	Accumulated remeasurement gains (losses) $	**2018** Total $	2017 Total $
								[Thousands of Dollars]	
Balance, beginning of year	**50,175**	**271**	**(17,225)**	**2,378**	**2,446**	**10,004**	**(5,633)**	**42,416**	41,747
Excess (shortfall) of revenue over expenses for year *[note 8[b]]*	**(4,880)**	**—**	**5,491**	—	—	—	—	**611**	(1,986)
Net remeasurement gain for the year	**—**	**—**	**—**	—	—	—	**2,395**	**2,395**	2,655
Net change in investment in property, plant and equipment *[note 8[c]]*	**5,258**	**—**	**(5,258)**	—	—	—	—	—	— —
Increase (decrease) in Restricted Benefits Fund	**—**	**—**	**(206)**	**—**	**206**	**—**	**—**	**—**	—
Change in Capital Expenditure Reserve Fund	—	—	**(124)**	—	—	**124**	—	—	—
Increase (decrease) in accumulated fund balance *[note 9]*	**—**	**—**	**(379)**	**379**	**—**	**—**	**—**	**—**	—
Increase (decrease) in endowment	—	**3**	**(3)**	—	—	—	—	—	—
Balance, end of year	**50,553**	**274**	**(17,704)**	**2,757**	**2,652**	**10,128**	**(3,238)**	**45,422**	42,416

See accompanying notes to the financial statements.

St. Joseph’s Care Group
General Fund
Statement of Cash Flows

Statement 4

Year ended March 31	**2018**	2017
	$	$
	[Thousands of Dollars]	
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenses for year	**611**	(1,986)
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization of equipment	**2,518**	2,525
Amortization of deferred capital contributions	**(2,327)**	(2,217)
Amortization of buildings/leaseholds	**4,660**	4,439
Employee future benefits	**(49)**	(50)
Loss on disposal of equipment	**29**	—
	5,442	2,711
Net change in non-cash working capital accounts related to operations *[note 10]*	**711**	(3,470)
Cash provided by (used in) operating activities	**6,153**	(759)
INVESTMENT ACTIVITIES		
Increase in Endowment Fund	**(3)**	(3)
Increase in Capital Expenditure Reserve Fund	**(124)**	(87)
Increase in Restricted Replacement Reserve Fund	**(428)**	(355)
Transfer to Restricted Benefits Fund	**(206)**	(358)
Cash used in investment activities	**(761)**	(803)
CAPITAL ACTIVITIES		
Purchase of property, plant and equipment	**(19,621)**	(30,838)
Deferred capital contributions received *[note 6]*	**16,060**	19,858
Cash used in capital activities	**(3,561)**	(10,980)
FINANCING ACTIVITIES		
Proceeds from long-term debt	—	2,504
Repayment of long-term debt	**(1,697)**	(1,570)
Increase (decrease) in other accrued liabilities	**(468)**	350
Cash provided by (used by) financing activities	**(2,165)**	1,284
Decrease in cash during year	**(334)**	(11,258)
Cash position, beginning of year	**17,341**	28,599
Cash position, end of year	**17,007**	17,341

See accompanying notes to the financial statements.

St. Joseph's Care Group
General Fund
Statement of Remeasurement Gains and Losses

Statement 5

Year ended March 31

	2018	2017
	$	$
	[Thousands of Dollars]	
Accumulated remeasurement losses, beginning of year	**(5,633)**	(8,288)
Unrealized gains attributable to:		
Derivatives	**2,395**	2,655
Change in net remeasurement losses, for year	**2,395**	2,655
Accumulated remeasurement losses, end of year	**(3,238)**	(5,633)

See accompanying notes to the financial statements.

GENERAL

St. Joseph's Care Group (“Care Group”) was incorporated under the laws of Ontario as a corporation without share capital on August 12, 1976. Its principal activity is delivering programs in complex continuing care, seniors care, rehabilitation, addictions and mental health. St. Joseph's Care Group is a registered charity under the Income Tax Act, and operates under the sponsorship of the Catholic Health Sponsors of Ontario.

The Care Group is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care (“Ministry”) and the North West Local Health Integration Network (“NWLHIN”). Any excess of revenue over expenses earned during a fiscal year may be retained by the Care Group. The Ministry’s stated policy is that deficits incurred by the Care Group will not be funded, and this policy has been consistently followed. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The NWLHIN provides operating funding including base funding, which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

If the Care Group does not meet certain performance standards or obligations, the NWLHIN has the right to adjust some of the funding streams received. Given that the NWLHIN is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management’s best estimates of amounts earned during the year.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards (“PSAS”) for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector of Accounting Board. The financial statements have been prepared within the framework of the accounting policies as summarized below:

Fund accounting

The accounts of the Care Group are maintained in accordance with the principles of fund accounting whereby separate accounts are maintained for each fund, as explained below, to ensure observance of the limitations and restrictions placed on the use of particular assets.

Unrestricted Fund

This fund is used to account for operational and administrative revenue and expenses.

Endowment Fund

This fund represents monies on deposit which were donated to the Care Group and are restricted for endowment purposes. It is the donor's intention that such funds be held indefinitely and that any interest earned is to be used to offset costs of St. Joseph's Heritage.

Restricted Benefits Fund

The Care Group has adopted an administrative services only funding arrangement with a group insurance plan provider. Under the arrangement, the Care Group manages its benefit premium changes as a form of self-insurance. This fund is internally restricted and consists of reserve and deposit account balances which have been contributed proportionately by the Care Group and its employees.

Capital Expenditure Reserve Fund

This Reserve is internally restricted and is to be used to finance replacements or additions to buildings, furniture and equipment and/or leasehold improvements for the Care Group.

Restricted Replacement Reserve Fund

The Care Group is maintaining a Replacement Reserve Fund for the P. R. Cook Apartments and the Sister Leila Greco Apartments. This Replacement Reserve Fund is internally restricted and is to be used to finance replacements of equipment and furniture in the P. R. Cook Apartments and Sister Leila Greco Apartments.

Residents' Trust Fund

The Residents' Trust Fund consists of amounts held in trust for the residents of the Bethammi Nursing Home, St. Joseph's Hospital, Hogarth Riverview Manor and Lakehead Psychiatric Hospital. These funds are not reflected in these financial statements *[note 15]*.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Such cost includes financing and other expenses incurred during the period of construction.

Normal maintenance and repairs are expensed as incurred. Amortization is provided on the straight-line basis at the rate of 2.5% for buildings, 6.67% to 50% for furniture and equipment, 20% for site improvements and 2.5% to 5% for leasehold improvements.

It is expected that these procedures will charge operations with the recorded cost of the property, plant and equipment over their estimated useful lives.

Construction-in-progress is stated at cost, which comprises all direct and indirect costs of construction. Construction-in-progress is transferred to land improvement, buildings and building service equipment and amortization of the asset commences when construction is complete and the facility commences operations.

Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Care Group is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry and the NWLHIN. The NWLHIN has been given the mandate for planning, integrating and funding health care services.

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. These financial statements reflect agreed arrangements approved by the Ministry.

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.

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

Endowment contributions are recognized as direct increases in endowment net assets.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Inventory

Inventory of general, medical and surgical supplies is valued at the lower of average cost and replacement value, whereas drugs are carried at cost on a first-in, first-out basis.

Post-employment benefits and compensated absences

The Care Group provides post-employment benefits and compensated absences to certain employee groups. These benefits include health, dental, life insurance, and non-vesting sick leave. The Care Group elected to recognize all unamortized balances in accumulated surplus/deficit as of April 1, 2011.

Compensated absences

Compensation expense is accrued for all employees as entitlement of these payments are earned, in accordance with the Care Group's benefit plans for vacation, statutory and retirement allowances.

Management's estimates

The preparation of financial statements, in conformity with PSAS for Government Not-for-Profit Organizations, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are determined using a consistent approach year over year. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates.

The most significant estimate is these financial statements include allowance for doubtful accounts receivable, amortization of capital assets, accounts payable, actuarial estimate of employee future benefits, and fair value of derivatives.

Financial instruments

The Care Group classifies its financial instruments as either fair value or amortized cost.

Financial assets or liabilities obtained in arm's-length transactions are initially measured at their fair value. For instruments subsequently carried at fair value, unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Fair values are based on quoted market values where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Transaction costs are expensed as incurred.

Instruments that are categorized at fair value are cash, investments and derivatives.

Instruments that are categorized at amortized cost include accounts receivable, accounts receivable – LHIN, accounts payable – LHIN, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses of financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

March 31, 2018 [Thousands of Dollars]

Derivatives

The Care Group has entered into interest rate swap agreements as an economic hedge to manage the volatility to interest rates relating to its debt. Derivatives are initially recorded at fair value and are revalued at each financial statement date, with unrealized changes in fair value recorded in the statement of remeasurement gains and losses.

2. RESTRICTED ASSETS

	2018		2017	
	Cost $	**Market value** $	Cost $	Market value $
ENDOWMENT FUND				
Restricted				
Cash	**274**	**274**	271	271
REPLACEMENT RESERVE FUND				
Restricted				
Cash	**2,398**	**2,398**	1,970	1,970
BENEFITS FUND				
Restricted				
Cash	**2,652**	**2,652**	2,446	2,446
CAPITAL EXPENDITURE RESERVE FUND				
Restricted				
Cash	**92**	**92**	91	91
Term deposits	**10,036**	**10,036**	9,913	9,913
	10,128	**10,128**	10,004	10,004

Term deposit GIC's bear interest of 1.30%, 1.375% and 1.72%, and mature June 29, 2018, July 8, 2019, and October 23, 2018; respectively.

March 31, 2018 [Thousands of Dollars]

3. PROPERTY, PLANT AND EQUIPMENT

Details of year-end property, plant and equipment balances are as follows:

	2018		2017	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	$	$	$
Buildings				
P. R. Cook Apartments	**5,523**	**5,016**	5,476	4,919
St. Joseph's Heritage	**11,403**	**9,412**	11,299	9,188
Hogarth Riverview Manor	**107,187**	**9,531**	93,646	7,021
St. Joseph's Health Centre	**4,415**	**1,103**	4,415	997
Sister Margaret Smith Centre	**15,172**	**3,187**	15,145	2,810
Sister Leila Greco Apartments	**22,422**	**3,070**	22,388	2,509
Construction-in-progress	**47,406**	**—**	48,465	—
Furniture and equipment	**50,463**	**34,930**	47,387	33,472
Leasehold improvements	**31,463**	**11,723**	28,757	10,951
Site improvements	**318**	**169**	263	157
	295,772	**78,141**	277,241	72,024
Land	**2,829**	**—**	2,829	—
	298,601	**78,141**	280,070	72,024
Net book value	**220,460**		208,046	

4. CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents costs incurred to date on: the construction of the East Wing Project, of which $46,731 has been spent to date and Amethyst House, of which $675 has been spent to date.

Once the construction is complete and the asset is available for use, the total cost will be reclassified to capital assets and amortization will commence. As at March 31, 2018, construction-in-progress amounted to $47,406 [2017 - $48,465].

March 31, 2018 [Thousands of Dollars]

5. LONG-TERM DEBT

	2018 $	2017 $
Royal Bank of Canada		
Loan covering the Energy Retrofit project at the Heritage site. Interest rate swap that establishes the underlying fixed rate applicable to the loan at 3.22% per annum, repayable in monthly instalments of approximately $17,500, due July 30, 2021.	**664**	847
Loan covering the Sister Leila Greco Apartments. Interest rate swap that establishes the underlying fixed rate applicable to the loan at 3.22% per annum, repayable in monthly instalments of approximately $28,000, due August 31, 2034.	**4,550**	4,741
Loan covering Hogarth Riverview Manor Expansion. Interest rate swap that establishes the fixed rate applicable to the loan at 3.74% per annum, repayable in monthly instalments of approximately $168,000, due November 30, 2040.	**31,006**	31,820
Loan covering Hogarth Riverview Manor addition. Interest rate swap that establishes the fixed rate applicable to the loan at 3.66% to 3.75% per annum, repayable in monthly instalments of approximately $51,000, commencing July, 2017 and due June 30, 2036.	**7,664**	7,974
Loan covering P. R. Cook Apartments premises. Interest rate swap that establishes the fixed rate applicable to the loan at 1.80% per annum, repayable in monthly instalments of approximately $24,000, due October 4, 2033.	**3,701**	3,900
Carried forward	**47,585**	49,282

March 31, 2018 [Thousands of Dollars]

	2018 $	2017 $
Brought forward	**47,585**	49,282
Sisters of St. Joseph of Sault Ste. Marie Interest-free promissory note payable 90 days following written demand. It is not expected that the Sisters will demand repayment within the next twelve months *[note 13].*	**6,225**	6,225
	53,810	55,507
Less principal due within one year	**(1,759)**	(1,697)
Add fair value adjustment of derivatives	**3,238**	5,633
Non-current amount	**55,289**	59,443

Principal instalments required in each of the next five years are as follows:

	$
2019	1,759
2020	1,819
2021	1,886
2022	1,833
2023	1,816
Thereafter	44,697
	53,810

The Care Group has entered into four interest rate swap agreements with the Royal Bank of Canada.

The fair value of the interest rate swap agreements is estimated based on amounts determined by the Royal Bank of Canada using prevailing rates. As at March 31, 2018, the interest rate swap agreements were in a net unfavourable position, representing a liability of $3,238 [2017 - $5,633] which is recognized in the statement of financial position and the statement of remeasurement gains and losses.

Available line of credit

The Care Group has an available line of credit of $5,000 [2017 - $5,000], of which $nil [2017 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at prime less 0.25% [3.20% at year-end].

March 31, 2018 [Thousands of Dollars]

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to property, plant and equipment represent the unamortized amount and unspent amount of donations and grants received for the purchase of property, plant and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018 $	2017 $
Balance, beginning of year	**107,059**	89,418
Additional contributions received	**16,060**	19,858
Amounts amortized to revenue	**(2,327)**	(2,217)
Balance, end of year	**120,792**	107,059
Unamortized capital contributions	**120,058**	106,325
Unspent contributions	**734**	734
Balance, end of year	**120,792**	107,059

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the Care Group's post-employment benefits and compensated absences liabilities and the related expenses.

	2018 $	2017 $
Accrued employee future benefit obligations	**6,529**	6,580
Unamortized actuarial losses	**(49)**	(51)
	6,480	6,529
Less current portion	**40**	40
Non-current portion	**6,440**	6,489
Current year benefit cost	**267**	257
Amortization of actuarial losses	**(187)**	(187)
Interest on accrued obligation	**200**	195
	280	265

Post-employment benefits

The Care Group provides extended health care, dental and life insurance benefits to substantially all full-time employees. Some employee groups are entitled to continue to receive these benefits upon early retirement until they reach age 65.

The significant actuarial assumptions adopted in estimating the Care Group's accrued benefit obligation are as follows:

The present value as at March 31, 2018 of the future benefits was determined using a discount rate of 3.37% [2017 – 3.75%].

Dental costs were assumed to increase to 4.0% per annum following the full valuation date.

Extended health care trend rates were assumed to decrease by 0.2% per annum to a rate of 6.8% in 2018 to an ultimate rate of 5.0% per annum.

Non-vesting sick days

The Care Group has certain employee groups that earn a specified number of days per month for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum (if applicable) provided in their employment agreements. Sick days are paid out at the salary in effect at the time of usage.

March 31, 2018 [Thousands of Dollars]

8. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

[a] Investment in property, plant and equipment is calculated as follows:

	2018 $	2017 $
Property, plant and equipment at net book value	**220,460**	208,046
Amounts financed by		
Deferred capital contributions	**(120,058)**	(106,325)
Long-term debt	**(49,849)**	(51,546)
	50,553	50,175

[b] Change in net assets investment in property, plant and equipment is calculated as follows:

	2018 $	2017 $
Loss for year		
Amortization of equipment	**(2,518)**	(2,525)
Amortization of buildings/leaseholds	**(4,660)**	(4,439)
Amortization of deferred capital contributions	**2,327**	2,217
Loss on disposal of equipment	**(29)**	—
	(4,880)	(4,747)

[c] Net change in investment in property, plant and equipment:

	2018 $	2017 $
Purchase of property, plant and equipment	**19,621**	30,838
Amounts funded by		
Ministry of Health and Long-Term Care	**(14,917)**	(17,642)
St. Joseph's Foundation of Thunder Bay	**(197)**	(14)
Other	**(946)**	(2,202)
Repayment of long-term debt	**1,697**	1,570
Proceeds from long-term debt	**—**	(2,504)
	5,258	10,046

March 31, 2018 [Thousands of Dollars]

9. RESTRICTED REPLACEMENT RESERVE FUNDS

This accumulated fund balance is comprised of the following:

	2018 $	2017 $
P. R. Cook Apartments		
Provision for year	**96**	96
Interest earned	**5**	5
Reserve Fund expenditures	**(104)**	(90)
Increase (decrease) in accumulated fund balance for year	**(3)**	11
Accumulated fund balance, beginning of year	**787**	776
Accumulated fund balance, end of year	**784**	787
Sister Leila Greco Apartments		
Provision for year	**400**	400
Interest earned	**16**	8
Reserve Fund expenditures	**(34)**	—
Increase in accumulated fund balance for year	**382**	408
Accumulated fund balance, beginning of year	**1,591**	1,183
Accumulated fund balance, end of year	**1,973**	1,591
Total accumulated fund balance, end of year	**2,757**	2,378

10. STATEMENT OF CASH FLOWS

The net change in the non-cash working capital accounts related to operations is represented by the following:

	2018 $	2017 $
Decrease (increase) in current assets		
Accounts receivable – Ministry of Health and Long-Term Care/ North West Local Health Integration Network	**325**	(1,215)
Accounts receivable	**474**	1,640
Inventory	**4**	7
Prepaid expenses	**127**	(266)
	930	166
Increase (decrease) in current liabilities		
Accounts payable – Ministry of Health and Long-Term Care/ North West Local Health Integration Network	**—**	(320)
Accounts payable and accrued liabilities	**(219)**	(3,316)
	(219)	(3,636)
Total net change	**711**	(3,470)

11. ECONOMIC INTEREST

The Care Group has economic interest in St. Joseph's Foundation of Thunder Bay. The Foundation's primary purpose is to raise funds from the public and business community to provide funds for the furtherance of the long-term charitable works of the Sisters of St. Joseph of Sault Ste. Marie within the District of Thunder Bay, including St. Joseph's Care Group. During the year, the Foundation granted $197 [2017 - $14] to the Care Group for use in the purchase of property, plant and equipment.

12. RELATED PARTIES

The Care Group is a member of the Northwest Health Alliance (NWHA) which is a not-for-profit organization that was established by 12 of the 13 hospitals in Northwestern Ontario to facilitate collaboration and cost-sharing among health service providers. The NWHA is tasked with developing, implementing, managing, operating and distributing products and shared services that will enhance the provision of health care.

13. CONTINGENT LIABILITIES

Sisters of St. Joseph of Sault Ste. Marie

The demand note to the Sisters of St. Joseph of Sault Ste. Marie was issued April 1, 1997 and is subject to a General Security Agreement which outlines collateral provisions and events of default.

This is an interest-free promissory note that is payable 90 days following a written demand from the Sisters. It is not expected that the Sisters will demand repayment within the next twelve months.

Ministry of Municipal Affairs and Housing

In conjunction with receiving a Ministry of Municipal Affairs and Housing grant for the construction of Sister Leila Greco Apartments included in deferred capital contributions, the Care Group received a capital contribution in the amount of $6,600 in 2013. The term of the agreement is twenty years expiring October 28, 2029. Failure to operate and manage the Sister Leila Greco Apartments in accordance with the terms and conditions of the Provincial Contribution Agreement could result in any unamortized portion of the capital contribution being repaid.

March 31, 2018 [Thousands of Dollars]

St. Joseph's Care Group Operations

The St. Joseph's Care Group is the defendant in a number of legal claims, the outcome of which are indeterminable. The Care Group's management feels that insurance coverage is adequate to cover any potential liabilities.

14. COMMITMENTS

[a] The Care Group's St. Joseph's Hospital site land and buildings are owned by The Avila Foundation and are leased to the Care Group for a nominal payment annually. The Care Group is responsible for all occupancy costs which include leasehold improvements.

[b] The Care Group has entered into lease agreements for building space. The leases are for varying terms expiring between 2019 and 2023. In addition, the Care Group has lease commitments for vehicles and equipment. The following minimum payments are required over the terms of the leases:

	$
2019	415
2020	407
2021	403
2022	403
2023	401

[c] Construction projects

St. Joseph's Hospital - East Wing Project

The Care Group has entered into a contract for the construction of the addition of the East Wing on the St. Joseph's Hospital site. The project will provide facilities for the specialized mental health rehabilitation program as well as administrative and support areas. The contract is valued at $36.3 million. The East Wing is approximately 95% complete at March 31, 2018 and costs incurred to date are reported as construction-in-progress. The East Wing is anticipated to be completed by June, 2018.

Amethyst House

During the year, St. Joseph's Care Group purchased a building, Amethyst House, to establish a high support home for mental health clients. The Care Group entered a contract valued at $518 for the renovation of the building to a high support home. The project is anticipated to be completed by July, 2018.

15. RESIDENTS' TRUST FUND

The balance held in trust at year-end was $170 [2017 - $160].

16. PENSION PLAN

Most of the employees of the Care Group are members of the Healthcare of Ontario Pension Plan (formerly Hospitals of Ontario Pension Plan) ("HOOPP"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The OPSEU Pension Plan ("OP Trust") is defined as a contributory defined benefit pension plan. Membership within the Plan consists of members represented by OPSEU. Both plans will provide members with benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest average earnings.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are to be funded proportionately by the employees and the employer. The most recent actuarial valuation of HOOPP as at March 31, 2018 for the December 31, 2017 year, indicates HOOPP was 122 per cent funded. Contributions to HOOPP made during the year by the Care Group and its employees amounted to $14,152 [2017 - $13,271].

The majority of employees in the OPSEU Union are members of the OP Trust. The most recent actuarial valuation of OP Trust as at December 31, 2017 indicates the Plan remains fully funded. Contributions to the OP Trust made during the year by the Care Group and its employees amounted to $1,329 [2017 - $1,428].

17. FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Care Group if a debtor fails to make payments when due. The Care Group is exposed to this risk with respect to accounts receivable.

Accounts receivable are due from clients and/or outside agencies. A bad debt allowance is set up based on the Care Group's historical experience regarding collections.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

The Care Group does not have any material transactions or financial instruments denominated in foreign currencies.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Care Group is exposed to this risk through its interest bearing investments and term debt. The Care Group mitigates interest rate on its long-term debt through a derivative financial instrument that exchanges variable rates inherent in the term debt for a fixed rate (see note 5). Therefore, fluctuations in market interest rates would not impact future cashflows and operations relating to the term debt.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

The Care Group does not have any transactions or financial instruments in the equity market.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Care Group will not be able to meet all cash outflow obligations as they come due. The Care Group mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

18. CAPITAL MANAGEMENT

In managing capital, the Care Group considers its capital to be its net assets, consisting of investment in property and equipment, unrestricted, and capital expenditure reserve funds. The amounts invested in property and equipment ensure that the physical facility is able to provide services. The Care Group's objectives when managing its property and equipment are to safeguard its ability to continue as a going concern so it can continue to provide services and to allow for future expansion. Annual budgets are developed and monitored to ensure the Care Group's capital is maintained to meet these objectives.

19. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 financial statements.

St. Joseph's Care Group

Schedule 1

Operations

Year Ended March 31

	Hospital Sector $	Community Sector $	Long-Term Care Sector $	Apartments and Leased Areas $	**2018** Total $	2017 (Schedule 1 cont'd) Total $
						[Thousands of Dollars]
REVENUE						
North West Health Integration Network	**92,041**	**12,610**	**32,551**	**—**	**137,202**	133,890
Alternative Level of Care Co-Payment	**908**	**—**	**—**	**—**	**908**	1,161
Long-Term Care - resident's portion	**—**	**—**	**12,257**	**—**	**12,257**	10,468
Canada Mortgage and Housing Corporation	**—**	**—**	**—**	**—**	**—**	81
The District of Thunder Bay Social Services Administration Board	**—**	**—**	**—**	**306**	**306**	318
Program fees and rentals	**—**	**1,154**	**60**	**3,185**	**4,399**	4,186
Amortization of deferred contributions related to equipment	**49**	**24**	**118**	**—**	**191**	161
Municipal contributions	**—**	**—**	**—**	**363**	**363**	362
Other recoveries	**14,960**	**1,190**	**2,885**	**100**	**19,135**	17,848
	107,958	**14,978**	**47,871**	**3,954**	**174,761**	168,475
EXPENSES						
Amortization of equipment	**1,481**	**38**	**955**	**44**	**2,518**	2,525
Drugs	**1,143**	**—**		**—**	**1,143**	1,153
Interest on long-term debt	**—**	**—**	**1,535**	**193**	**1,728**	1,637
Medical and surgical supplies	**945**	**—**	**491**	**2**	**1,438**	1,407
Medical staff remuneration	**7,974**	**304**	**74**	**—**	**8,352**	8,744
Municipal taxes	**50**	**—**	**—**	**773**	**823**	630
Salaries and benefits	**76,715**	**11,798**	**36,558**	**367**	**125,438**	122,208
Supplies and other	**16,370**	**2,857**	**9,601**	**1,447**	**30,275**	29,083
	104,678	**14,997**	**49,214**	**2,826**	**171,715**	167,387
Excess (shortfall) of revenues over expenses before the following	**3,280**	**(19)**	**(1,343)**	**1,128**	**3,046**	1,088
Amortization of buildings/leaseholds	**(897)**	**(377)**	**(2,651)**	**(735)**	**(4,660)**	(4,439)
Amortization of deferred capital contributions related to building	**430**	**376**	**934**	**396**	**2,136**	2,056
Employee future benefits *[note 7]*	**(308)**	**—**	**28**	**—**	**(280)**	(265)
Loss on disposal of equipment	**(19)**	**—**	**(10)**	**—**	**(29)**	—
Restructuring	**398**	**—**	**—**	**—**	**398**	(426)
Excess (shortfall) of revenues over expenses for year	**2,884**	**(20)**	**(3,042)**	**789**	**611**	(1,986)

St. Joseph's Care Group
Operations

Schedule 1 (cont'd)

Year Ended March 31 — 2017

	Hospital Sector $	Community Sector $	Long-Term Care Sector $	Apartments and Leased Areas $	Total $
					[Thousands of Dollars]
REVENUE					
North West Health Integration Network	91,558	12,470	29,862	—	133,890
Alternative Level of Care Co-Payment	1,161	—	—	—	1,161
Long-Term Care - resident's portion	—	—	10,468	—	10,468
Canada Mortgage and Housing Corporation	—	—	19	62	81
The District of Thunder Bay Social Services Administration Board	—	—	—	318	318
Program fees and rentals	—	1,129	59	2,998	4,186
Amortization of deferred contributions related to equipment	37	19	105	—	161
Municipal contributions	—	—	—	362	362
Other recoveries	14,225	1,145	2,403	75	17,848
	106,981	14,763	42,916	3,815	168,475
EXPENSES					
Amortization of equipment	1,503	19	935	68	2,525
Drugs	1,153	—	—	—	1,153
Interest on long-term debt	—	—	1,260	377	1,637
Medical and surgical supplies	1,024	—	380	3	1,407
Medical staff remuneration	8,378	261	105	—	8,744
Municipal taxes	49	—	—	581	630
Salaries and benefits	78,413	12,089	31,366	340	122,208
Supplies and other	16,708	2,593	8,387	1,395	29,083
	107,228	14,962	42,433	2,764	167,387
Excess (shortfall) of revenues over expenses before the following	(247)	(199)	483	1,051	1,088
Amortization of buildings/leaseholds	(871)	(376)	(2,538)	(654)	(4,439)
Amortization of deferred capital contributions related to building	389	375	896	396	2,056
Employee future benefits *[note 7]*	(294)	—	29	—	(265)
Loss on disposal of equipment	—	—	—	—	—
Restructuring	(426)	—	—	—	(426)
Excess (shortfall) of revenues over expenses for year	(1,449)	(200)	(1,130)	793	(1,986)