Grant Thornton

Financial Statements

St. Joseph's Care Group

March 31, 2019

Contents

Independent Auditor's Report

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

Opinion

We have audited the financial statements of St. Joseph's Care Group ("the Care Group"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Joseph's Care Group as at March 31, 2019, and its results of operations, its changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Care Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Care Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Care Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Care Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Care Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Care Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Care Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Thunder Bay, Canada
June 19, 2019

Chartered Professional Accountants
Licensed Public Accountants

St. Joseph's Care Group
Statement 1
Statement of Financial Position

As at March 31

	2019	2018
	$	$
	[Thousands of Dollars]	
ASSETS		
Current		
Cash	**9,575**	17,007
Accounts receivable - Ministry of Health and Long-Term Care/North West Local Health Integration Network	**3,588**	890
Accounts receivable, net	**6,133**	4,335
Mortgage receivable due within one year *[note 3]*	**58**	—
Inventory	**776**	562
Prepaid expenses	**595**	638
Total current assets	**20,725**	23,432
Restricted assets *[note 2]*		
Endowment Fund	**280**	274
Restricted Replacement Reserve Fund	**2,800**	2,398
Restricted Benefits Fund	**3,049**	2,652
Capital Expenditure Reserve Fund	**5,104**	10,128
Total restricted assets	**11,233**	15,452
Non-current		
Mortgage receivable *[note 3]*	**1,542**	—
Property, plant and equipment *[note 4]*	**220,024**	220,460
	253,524	259,344

See accompanying notes to the financial statements.

On behalf of the Board:

Gary Johnson
Director

Roberta Simpson
Director

St. Joseph's Care Group
Statement of Financial Position

Statement 1 (cont'd)

As at March 31

	2019	2018
	$	$
	[Thousands of Dollars]	
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**23,608**	27,624
Long-term debt principal due within one year *[note 5]*	**1,877**	1,759
Employee future benefits *[note 7]*	**40**	40
Total current liabilities	**25,525**	29,423
Other accrued liabilities	**450**	1,978
Long-term debt - non-current amount *[note 5]*	**56,501**	55,289
Deferred capital contributions *[note 6]*	**121,640**	120,792
Employee future benefits - non-current *[note 7]*	**6,359**	6,440
NET ASSETS		
Investment in property, plant and equipment *[note 8[a]]*	**51,028**	50,553
Unrestricted	**(14,808)**	(17,704)
Restricted		
Restricted Benefits Fund	**3,049**	2,652
Capital Expenditure Reserve Fund	**5,104**	10,128
Endowment Fund	**280**	274
Restricted Replacement Reserve Fund *[note 9]*	**3,123**	2,757
Accumulated remeasurement losses *[statement 5]*	**(4,727)**	(3,238)
Total net assets	**43,049**	45,422
	253,524	259,344

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

Year ended March 31	2019	2018
	$	$
	[Thousands of Dollars]	
REVENUE *[schedule 1]*		
North West Local Health Integration Network	**140,990**	137,202
Alternative Level of Care Co-Payment	**876**	908
Long-Term Care – resident's portion	**12,912**	12,257
The District of Thunder Bay Social Service Administration Board	**306**	306
Program fees and rentals	**4,565**	4,399
Amortization of deferred contributions related to equipment	**388**	191
Municipal contributions	**363**	363
Other recoveries	**16,787**	19,135
	177,187	174,761
EXPENSES *[schedule 1]*		
Amortization of equipment	**2,769**	2,518
Drugs	**1,376**	1,143
Interest on long-term debt	**1,661**	1,728
Medical and surgical supplies	**1,493**	1,438
Medical staff remuneration	**7,768**	8,352
Municipal taxes	**831**	823
Salaries and benefits	**130,597**	125,438
Supplies and other	**28,963**	30,275
	175,458	171,715
Excess of revenue over expenses before the following *[schedule 1]*	**1,729**	3,046
Amortization of buildings/leaseholds	**(5,835)**	(4,660)
Amortization of deferred capital contributions related to building	**3,052**	2,136
Employee future benefits *[note 7]*	**(223)**	(280)
Loss on disposal of equipment	**(225)**	(29)
Restructuring	**618**	398
Excess (shortfall) of revenue over expenses for year	**(884)**	611

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 $	Internal Restricted Replacement Reserve Fund $	Internal Restricted Benefits Fund $	Internal Capital Expenditure Reserve Fund $	Accumulated remeasurement gains (losses) $	**2019** Total $	2018 Total $
									[Thousands of Dollars]
Balance, beginning of year	**50,553**	**274**	**(17,704)**	**2,757**	**2,652**	**10,128**	**(3,238)**	**45,422**	42,416
Excess (shortfall) of revenue over expenses for year *[note 8[b]]*	**(5,389)**	**—**	**4,505**	**—**	**—**	**—**	**—**	**(884)**	611
Net remeasurement gain (losses) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(1,489)**	**(1,489)**	2,395
Net change in investment in property, plant and equipment *[note 8[c]]*	**5,864**	**—**	**(5,864)**	**—**	**—**	**—**	**—**	**—**	—
Increase (decrease) in Restricted Benefits Fund	**—**	**—**	**(397)**	**—**	**397**	**—**	**—**	**—**	—
Change in Capital Expenditure Reserve Fund	**—**	**—**	**5,024**	**—**	**—**	**(5,024)**	**—**	**—**	—
Increase (decrease) in accumulated fund balance *[note 9]*	**—**	**—**	**(366)**	**366**	**—**	**—**	**—**	**—**	—
Increase (decrease) in endowment	**—**	**6**	**(6)**	**—**	**—**	**—**	**—**	**—**	—
Balance, end of year	**51,028**	**280**	**(14,808)**	**3,123**	**3,049**	**5,104**	**(4,727)**	**43,049**	45,422

See accompanying notes to the financial statements.

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

Statement 4

Year ended March 31	**2019**	2018
	$	$
	[Thousands of Dollars]	
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenses for year	**(884)**	611
Add charges (deduct credits) to earnings not involving		
Amortization of equipment	**2,769**	2,518
Amortization of deferred capital contributions	**(3,440)**	(2,327)
Amortization of buildings/leaseholds	**5,835**	4,660
Employee future benefits	**(81)**	(49)
Loss on disposal of equipment	**225**	29
	4,424	5,442
Net change in non-cash working capital accounts related to operations *[note 10]*	**(8,683)**	711
Cash provided by (used in) operating activities	**(4,259)**	6,153
INVESTMENT ACTIVITIES		
Increase in Endowment Fund asset	**(6)**	(3)
Decrease (increase) in Capital Expenditure Reserve Fund asset	**5,024**	(124)
Increase in Restricted Replacement Reserve Fund asset	**(402)**	(428)
Transfer to Restricted Benefits Fund asset	**(397)**	(206)
Increase in mortgage receivable	**(1,600)**	—
Cash provided by (used in) investment activities	**2,619**	(761)
CAPITAL ACTIVITIES		
Purchase of property, plant, and equipment	**(8,623)**	(19,621)
Deferred capital contributions received *[note 6]*	**4,288**	16,060
Proceeds from sale of assets	**230**	—
Cash used in capital activities	**(4,105)**	(3,561)
FINANCING ACTIVITIES		
Proceeds from long-term debt	**1,600**	—
Repayment of long-term debt	**(1,759)**	(1,697)
Decrease in other accrued liabilities	**(1,528)**	(468)
Cash used in financing activities	**(1,687)**	(2,165)
Decrease in cash during year	**(7,432)**	(334)
Cash position, beginning of year	**17,007**	17,341
Cash position, end of year	**9,575**	17,007

See accompanying notes to the financial statements.

St. Joseph's Care Group — Statement 5

General Fund

Statement of Remeasurement Gains and Losses

Year ended March 31	**2019**	2018
	$	$
	[Thousands of Dollars]	
Accumulated remeasurement losses, beginning of year	**(3,238)**	(5,633)
Unrealized gains (losses) attributable to:		
Derivatives	**(1,489)**	2,395
Change in net remeasurement losses, for year	**(1,489)**	2,395
Accumulated remeasurement losses, end of year	**(4,727)**	(3,238)

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 senior care, rehabilitation care, 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 administered service 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 Fund 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, and Hogarth Riverview Manor. These funds are not reflected in these financial statements *[note 14]*.

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 in determining 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.

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 estimates in 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 realization, 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 – MOH/LHIN, mortgage receivable, accounts payable – MOH/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, 2019 [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

	2019		2018	
	Cost	**Market value**	Cost	Market value
	$	$	$	$
ENDOWMENT FUND				
Restricted				
Cash	**280**	**280**	274	274
REPLACEMENT RESERVE FUND				
Restricted				
Cash	**2,800**	**2,800**	2,398	2,398
BENEFITS FUND				
Restricted				
Cash	**3,049**	**3,049**	2,652	2,652
CAPITAL EXPENDITURE RESERVE FUND				
Restricted				
Cash	**2,544**	**2,544**	92	92
Term deposits	**2,560**	**2,560**	10,036	10,036
	5,104	**5,104**	10,128	10,128

GIC's bear interest of 1.375% and mature July 8, 2019.

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March 31, 2019 [Thousands of Dollars]

3. MORTGAGE RECEIVABLE

On January 15, 2019, St. Joseph's Foundation of Thunder Bay entered into a mortgage agreement with St. Joseph's Care Group for 1460 Dawson Road Property. St Joseph's Foundation of Thunder Bay is the owner of the property and as the mortgagee will pay a fixed monthly payment of $8,546 to St. Joseph's Care Group with a fixed interest rate of 3.4% starting September 1, 2019 and ending August 1, 2039. St. Joseph's Care Group borrowed funds to advance to St. Joseph's Foundation of Thunder Bay [see note 5].

4. PROPERTY, PLANT AND EQUIPMENT

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

	2019		2018	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	$	$	$
Buildings				
P. R. Cook Apartments	**5,640**	**5,116**	5,523	5,016
St. Joseph's Heritage	**12,294**	**9,626**	11,403	9,412
Hogarth Riverview Manor	**107,303**	**12,212**	107,187	9,531
St. Joseph's Health Centre	**4,415**	**1,209**	4,415	1,103
Sister Margaret Smith Centre	**14,930**	**3,560**	15,172	3,187
Sister Leila Greco Apartments	**22,419**	**3,633**	22,422	3,070
East Wing	**49,632**	**931**	—	—
Amethyst	**1,183**	**22**	—	—
Construction-in-progress	**—**	**—**	47,406	—
Furniture and equipment	**47,078**	**31,854**	50,463	34,930
Leasehold improvements	**32,912**	**12,600**	31,463	11,723
Site improvements	**335**	**183**	318	169
	298,141	**80,946**	295,772	78,141
Land	**2,829**	**—**	2,829	—
	300,970	**80,946**	298,601	78,141
Net book value	**220,024**		220,460	

March 31, 2019 [Thousands of Dollars]

5. LONG-TERM DEBT

	2019 $	2018 $
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.	**475**	664
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.	**4,351**	4,550
Loan covering Hogarth Riverview Manor Expansion. Interest rate swap that establishes the fixed rate applicable to the loan at 3.65% per annum, repayable in monthly instalments of approximately $168,000, due November 30, 2040.	**30,158**	31,006
Loan covering Hogarth Riverview Manor addition. Interest rate swap that establishes the fixed rate applicable to the loan at 3.66% per annum, repayable in monthly instalments of approximately $51,000, due June 30, 2036.	**7,344**	7,664
Loan covering St. Joseph's Foundation of Thunder Bay' purchase of a building, which is covered by a mortgage receivable (note 3). Interest rate swap that establishes the fixed rate applicable to the loan at 3.33% per annum,repayable in quarterly instalments of approximately $15,000, due February 4, 2039.	**1,600**	—
Loan covering P. R. Cook Apartments premises. Interest rate swap that establishes the fixed rate applicable to the loan at 2.20% per annum, repayable in monthly instalments of approximately $24,000, due October 4, 2033.	**3,498**	3,701
Carried forward	**47,426**	47,585

March 31, 2019 [Thousands of Dollars]

	2019 $	2018 $
Brought forward	**47,426**	47,585
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 12].*	**6,225**	6,225
	53,651	53,810
Less principal due within one year	**(1,877)**	(1,759)
Add fair value adjustment of derivatives	**4,727**	3,238
Non-current amount	**56,501**	55,289

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

	$
2020	1,877
2021	1,946
2022	1,895
2023	1,880
2024	1,948
Thereafter	44,105
	53,651

The Care Group has entered into six 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, 2019, the interest rate swap agreements were in a net unfavourable position, representing a liability of $4,727 [2018 - $3,238] 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 [2018 - $5,000], of which $nil [2018 - $nil] was borrowed at year-end. Interest on the line of credit is calculated at prime less 0.25% [3.75% at year-end].

March 31, 2019 [Thousands of Dollars]

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to property, plant and equipment represent the unamortized balance and unspent balance 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.

	2019	2018
	$	$
Balance, beginning of year	**120,792**	107,059
Additional contributions received	**4,288**	16,060
Amounts amortized to revenue	**(3,440)**	(2,327)
Balance, end of year	**121,640**	120,792
Unamortized capital contributions	**120,906**	120,058
Unspent contributions	**734**	734
Balance, end of year	**121,640**	120,792

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.

	2019	2018
	$	$
Accrued employee future benefit obligations	**6,480**	6,529
Unamortized actuarial losses	**(81)**	(49)
	6,399	6,480
Less current portion	**40**	40
Non-current portion	**6,359**	6,440
Current year benefit cost	**313**	267
Amortization of actuarial losses	**(255)**	(187)
Interest on accrued obligation	**165**	200
	223	280

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, 2019 of the future benefits was determined using a discount rate of 3.18% [2018 – 3.37%].

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 2019 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, 2019 [Thousands of Dollars]

8. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	2019 $	2018 $
Property, plant and equipment at net book value	**220,024**	220,460
Amounts financed by		
Deferred capital contributions	**(120,906)**	(120,058)
Long-term debt	**(48,090)**	(49,849)
	51,028	50,553

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

	2019 **$**	2018 $
Loss for year		
Amortization of equipment	**(2,769)**	(2,518)
Amortization of buildings/leaseholds	**(5,835)**	(4,660)
Amortization of deferred capital contributions	**3,440**	2,327
Loss on disposal of equipment	**(225)**	(29)
	(5,389)	(4,880)

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

	2019 $	2018 $
Purchase of property, plant and equipment	**8,623**	19,621
Amounts funded by		
Ministry of Health and Long-Term Care	**(3,909)**	(14,917)
St. Joseph's Foundation of Thunder Bay	**(89)**	(197)
Other	**(290)**	(946)
Repayment of long-term debt	**1,759**	1,697
Proceeds from disposals	**(230)**	—
	5,864	5,258

March 31, 2019 [Thousands of Dollars]

9. RESTRICTED REPLACEMENT RESERVE FUNDS

This accumulated fund balance is comprised of the following:

	2019 $	2018 $
P. R. Cook Apartments		
Provision for year	**96**	96
Interest earned	**12**	5
Reserve Fund expenditures	**(174)**	(104)
Decrease in accumulated fund balance for year	**(66)**	(3)
Accumulated fund balance, beginning of year	**784**	787
Accumulated fund balance, end of year	**718**	784
Sister Leila Greco Apartments		
Provision for year	**400**	400
Interest earned	**32**	16
Reserve Fund expenditures	**—**	(34)
Increase in accumulated fund balance for year	**432**	382
Accumulated fund balance, beginning of year	**1,973**	1,591
Accumulated fund balance, end of year	**2,405**	1,973
Total accumulated fund balance, end of year	**3,123**	2,757

10. STATEMENT OF CASH FLOWS

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

	2019 $	2018 $
Decrease (increase) in current assets		
Accounts receivable – Ministry of Health and Long-Term Care/ North West Local Health Integration Network	**(2,698)**	325
Accounts receivable	**(1,798)**	474
Inventory	**(214)**	4
Prepaid expenses	**43**	127
	(4,667)	930
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(4,016)**	(219)
	(4,016)	(219)
Total net change	**(8,683)**	711

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 $89 [2018 - $197] to the Care Group for use in the purchase of property, plant and equipment [see note 3].

12. 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.

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.

13. 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.

March 31, 2019 [Thousands of Dollars]

13. COMMITMENTS (Cont'd)

[b] The Care Group has entered into lease agreements for building space. The leases are for varying terms expiring between 2020 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:

	$
2020	407
2021	403
2022	403
2023	401

14. RESIDENTS' TRUST FUND

The balance held in trust at year-end was $170 [2018 - $170].

15. 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, 2019 for the December 31, 2018 year, indicates HOOPP was 121 per cent funded. Contributions to HOOPP made during the year by the Care Group and its employees amounted to $14,257 [2018 - $14,152].

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, 2018 indicates the Plan remains fully funded. Contributions to the OP Trust made during the year by the Care Group and its employees amounted to $1,182 [2018 - $1,329].

16. 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 receivables 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.

17. 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.

St. Joseph's Care Group

Schedule 1

Operations

Year Ended March 31

	Hospital Sector $	Community Sector $	Long-Term Care Sector $	Apartments and Leased Areas $	**2019** Total $	2018 Total $
						[Thousands of Dollars]
REVENUE						
North West Health Integration Network	**94,317**	**13,893**	**32,780**	**—**	**140,990**	137,202
Alternative Level of Care Co-Payment	**876**	**—**	**—**	**—**	**876**	908
Long-Term Care - resident's portion	**—**	**—**	**12,912**	**—**	**12,912**	12,257
The District of Thunder Bay Social Services Administration Board	**—**	**—**	**—**	**306**	**306**	306
Program fees and rentals	**—**	**1,224**	**60**	**3,281**	**4,565**	4,399
Amortization of deferred contributions related to equipment	**196**	**33**	**159**	**—**	**388**	191
Municipal contributions	**—**	**—**	**—**	**363**	**363**	363
Other recoveries	**12,091**	**1,276**	**3,323**	**97**	**16,787**	19,135
	107,480	**16,426**	**49,234**	**4,047**	**177,187**	174,761
EXPENSES						
Amortization of equipment	**1,746**	**52**	**952**	**19**	**2,769**	2,518
Drugs	**1,376**	**—**	**—**	**—**	**1,376**	1,143
Interest on long-term debt	**—**	**—**	**1,481**	**180**	**1,661**	1,728
Medical and surgical supplies	**968**	**—**	**525**	**—**	**1,493**	1,438
Medical staff remuneration	**7,372**	**321**	**75**	**—**	**7,768**	8,352
Municipal taxes	**51**	**—**	**—**	**780**	**831**	823
Salaries and benefits	**78,551**	**12,822**	**38,633**	**591**	**130,597**	125,438
Supplies and other	**13,800**	**3,237**	**10,457**	**1,469**	**28,963**	30,275
	103,864	**16,432**	**52,123**	**3,039**	**175,458**	171,715
Excess (shortfall) of revenues over expenses before the following	**3,616**	**(6)**	**(2,889)**	**1,008**	**1,729**	3,046
Amortization of buildings/leaseholds	**(1,907)**	**(373)**	**(2,740)**	**(815)**	**(5,835)**	(4,660)
Amortization of deferred capital contributions related to building	**1,333**	**376**	**947**	**396**	**3,052**	2,136
Employee future benefits *[note 7]*	**(239)**	**—**	**16**	**—**	**(223)**	(280)
Loss on disposal of equipment	**(247)**	**—**	**22**	**—**	**(225)**	(29)
Restructuring	**618**	**—**	**—**	**—**	**618**	398
Excess (shortfall) of revenues over expenses for year	**3,174**	**(3)**	**(4,644)**	**589**	**(884)**	611

St. Joseph's Care Group
Schedule 1 (cont'd)
Operations

Year Ended March 31 — 2018

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