



Grant Thornton

Financial Statements

St. Joseph's Care Group

March 31, 2020

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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, 2020, and the statements of operations, changes 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, 2020, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Thunder Bay, Canada
June 17, 2020

Chartered Professional Accountants
Licensed Public Accountants

St. Joseph's Care Group
Statement of Financial Position

Statement 1

As at March 31

2020

2019

\$ \$
[Thousands of Dollars]

ASSETS

Current

Cash	14,030	9,575
Accounts receivable - Ministries of Health and Long-Term Care/North West Local Health Integration Network	3,226	3,588
Accounts receivable, net <i>[note 2]</i>	3,173	6,133
Mortgage receivable due within one year <i>[note 3]</i>	71	58
Inventory	692	776
Prepaid expenses	791	595
Total current assets	21,983	20,725

Restricted assets *[note 4]*

Endowment Fund	286	280
Restricted Replacement Reserve Fund	3,186	2,800
Restricted Benefits Fund	2,842	3,049
Capital Expenditure Reserve Fund	5,196	5,104
Total restricted assets	11,510	11,233

Non-current

Mortgage receivable <i>[note 3]</i>	1,918	1,542
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Property, plant and equipment <i>[note 5]</i>	214,578	220,024
	249,989	253,524

See accompanying notes to the financial statements.

On behalf of the Board:

Bishop Frederick Colli
 Director

Fernando Perez-Gonzalez
 Director

St. Joseph's Care Group
Statement of Financial Position

Statement 1 (cont'd)

As at March 31

2020

2019

\$ \$
[Thousands of Dollars]

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities	20,283	22,886
Deferred revenue	2,909	722
Long-term debt principal due within one year <i>[note 6]</i>	1,946	1,877
Employee future benefits <i>[note 8]</i>	40	40
Total current liabilities	25,178	25,525

Other accrued liabilities	450	450
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Long-term debt - non-current amount <i>[note 6]</i>	58,709	56,501
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Deferred capital contributions <i>[note 7]</i>	119,156	121,640
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Employee future benefits - non-current <i>[note 8]</i>	6,317	6,359
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NET ASSETS

Investment in property, plant and equipment <i>[note 9[a]]</i>	49,885	51,028
Unrestricted	(12,429)	(14,808)
Restricted		
Restricted Benefits Fund	2,842	3,049
Capital Expenditure Reserve Fund	5,196	5,104
Endowment Fund	286	280
Restricted Replacement Reserve Fund <i>[note 10]</i>	3,280	3,123
Accumulated remeasurement losses <i>[statement 5]</i>	(8,881)	(4,727)
Total net assets	40,179	43,049

249,989 253,524

St. Joseph's Care Group Statement of Operations

Statement 2

Year ended March 31	2020	2019
	\$	\$
	<i>[Thousands of Dollars]</i>	
REVENUE [schedule 1]		
North West Local Health Integration Network	144,149	140,990
Alternative Level of Care Co-Payment	813	876
Long-Term Care – resident's portion	13,094	12,912
The District of Thunder Bay Social Services Administration Board	309	306
Program fees and rentals	4,637	4,565
Amortization of deferred contributions related to equipment	458	388
Municipal contributions	365	363
Other recoveries	19,084	16,787
	182,909	177,187
EXPENSES [schedule 1]		
Amortization of equipment	2,683	2,769
Drugs	1,633	1,376
Interest on long-term debt	1,570	1,661
Medical and surgical supplies	1,452	1,493
Medical staff remuneration	7,637	7,768
Municipal taxes	873	831
Salaries and benefits	133,539	130,597
Supplies and other	29,276	28,963
	178,663	175,458
Excess of revenue over expenses before the following [schedule 1]		
	4,246	1,729
Amortization of buildings/leaseholds	(6,164)	(5,835)
Amortization of deferred capital contributions related to building	3,459	3,052
Employee future benefits [note 8]	(256)	(223)
Loss on disposal of equipment	(1)	(225)
Restructuring	—	618
	1,284	(884)
Excess (shortfall) of revenue over expenses for year	1,284	(884)

See accompanying notes to the financial statements.

St. Joseph's Care Group Statement of Changes in Net Assets

Year ended March 31

Statement 3

2020 2019

	Investment in property, plant and equipment \$	Endowment Fund \$	Unrestricted Fund \$	Internal Replacement Reserve Fund \$	Internal Restricted Benefits Fund \$	Internal Capital Expenditure Reserve Fund \$	Accumulated remeasurement gains (losses) \$	Total \$	Total \$
Balance, beginning of year	51,028	280	(14,808)	3,123	3,049	5,104	(4,727)	43,049	45,422
Excess (shortfall) of revenue over expenses for year [note 9[b]]	(4,931)	—	6,215	—	—	—	—	1,284	(884)
Net remeasurement gain (losses) for the year [statement 5]	—	—	—	—	—	—	(4,154)	(4,154)	(1,489)
Net change in investment in property, plant and equipment [note 9[c]]	3,788	—	(3,788)	—	—	—	—	—	—
Increase (decrease) in Restricted Benefits Fund	—	—	207	—	(207)	—	—	—	—
Change in Capital Expenditure Reserve Fund	—	—	(92)	—	—	92	—	—	—
Increase (decrease) in Restricted Replacement Reserve Fund balance [note 10]	—	—	(157)	157	—	—	—	—	—
Increase (decrease) in endowment	—	6	(6)	—	—	—	—	—	—
Balance, end of year	49,885	286	(12,429)	3,280	2,842	5,196	(8,881)	40,179	43,049

[Thousands of Dollars]

See accompanying notes to the financial statements.

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

Statement 4

Year ended March 31

2020

2019

\$
\$
[Thousands of Dollars]

OPERATING ACTIVITIES

Excess (shortfall) of revenue over expenses for year	1,284	(884)
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization of equipment	2,683	2,769
Amortization of deferred capital contributions	(3,917)	(3,440)
Amortization of buildings/leaseholds	6,164	5,835
Employee future benefits	(42)	(81)
Loss on disposal of equipment	1	225
	6,173	4,424
Net change in non-cash working capital accounts related to operations <i>[note 11]</i>	2,794	(8,683)
Cash provided by (used in) operating activities	8,967	(4,259)

INVESTMENT ACTIVITIES

Transfer (increase) in Endowment Fund asset	(6)	(6)
Transfer (increase) decrease in Capital Expenditure Reserve Fund asset	(92)	5,024
Transfer (increase) in Restricted Replacement Reserve Fund asset	(386)	(402)
Transfer decrease (increase) to Restricted Benefits Fund asset	207	(397)
Transfer (Increase) in mortgage receivable	(389)	(1,600)
Cash used in (provided by) investment activities	(666)	2,619

CAPITAL ACTIVITIES

Purchase of property, plant, and equipment	(3,403)	(8,623)
Deferred capital contributions received <i>[note 7]</i>	1,433	4,288
Proceeds from sale of assets	1	230
Cash used in capital activities	(1,969)	(4,105)

FINANCING ACTIVITIES

Proceeds from long-term debt	—	1,600
Repayment of long-term debt	(1,877)	(1,759)
Decrease in other accrued liabilities	—	(1,528)
Cash used in financing activities	(1,877)	(1,687)

Increase (decrease) in cash during year	4,455	(7,432)
Cash position, beginning of year	9,575	17,007
Cash position, end of year	14,030	9,575

See accompanying notes to the financial statements.

**St. Joseph's Care Group
General Fund**

Statement 5

Statement of Remeasurement Gains and Losses

Year ended March 31

2020

2019

	\$	\$
	<i>[Thousands of Dollars]</i>	
Accumulated remeasurement losses, beginning of year	(4,727)	(3,238)
Unrealized losses attributable to:		
Derivatives	(4,154)	(1,489)
Change in net remeasurement losses, for year	(4,154)	(1,489)
Accumulated remeasurement losses, end of year	(8,881)	(4,727)

See accompanying notes to the financial statements.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

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 Ministries of Health and Long-Term Care ("Ministries") 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 Ministries 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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

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 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% to 10% 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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

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 Ministries 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 Ministries.

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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

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 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.

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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

2. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Accounts receivable	2,558	4,386
Accrued receivable	586	1,001
Harmonized Sales Tax	530	1,128
	3,674	6,515
Less: Allowance for doubtful accounts	(501)	(382)
	3,173	6,133

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 \$11,430 to St. Joseph's Care Group with a fixed interest rate of 3.4% starting April 1, 2020 and ending March 1, 2040. St. Joseph's Care Group borrowed funds to advance to St. Joseph's Foundation of Thunder Bay [see note 6].

4. RESTRICTED ASSETS

	2020		2019	
	Cost \$	Market value \$	Cost \$	Market value \$
ENDOWMENT FUND				
Restricted				
Cash	286	286	280	280
REPLACEMENT RESERVE FUND				
Restricted				
Cash	3,186	3,186	2,800	2,800
BENEFITS FUND				
Restricted				
Cash	2,842	2,842	3,049	3,049
CAPITAL EXPENDITURE RESERVE FUND				
Restricted				
Cash	5,196	5,196	2,544	2,544
Term deposits	—	—	2,560	2,560
	5,196	5,196	5,104	5,104

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

5. PROPERTY, PLANT AND EQUIPMENT

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

	2020		2019	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Buildings				
P. R. Cook Apartments	5,955	5,225	5,640	5,116
St. Joseph's Heritage	12,083	9,727	12,294	9,626
Hogarth Riverview Manor	107,221	14,895	107,303	12,212
St. Joseph's Health Centre	4,540	1,317	4,415	1,209
Sister Margaret Smith Centre	14,965	3,937	14,930	3,560
Sister Leila Greco Apartments	22,449	4,197	22,419	3,633
East Wing	49,812	2,174	49,632	931
Amethyst	1,299	55	1,183	22
Furniture and equipment	48,118	34,164	47,078	31,854
Leasehold improvements	34,356	13,531	32,912	12,600
Site improvements	372	199	335	183
	301,170	89,421	298,141	80,946
Land	2,829	—	2,829	—
	303,999	89,421	300,970	80,946
Net book value		214,578		220,024

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

6. LONG-TERM DEBT

	2020 \$	2019 \$
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.	282	475
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.	4,144	4,351
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.	29,275	30,158
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.	7,015	7,344
Loan covering St. Joseph's Foundation of Thunder Bay's 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.	1,542	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.	3,291	3,498
Carried forward	45,549	47,426

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

	2020 \$	2019 \$
Brought forward	45,549	47,426
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
	51,774	53,651
Less principal due within one year	(1,946)	(1,877)
Add fair value adjustment of derivatives	8,881	4,727
Non-current amount	58,709	56,501

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

	\$
2021	1,946
2022	1,895
2023	1,880
2024	1,948
2025	2,020
Thereafter	42,085
	51,774

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 \$8,881 [2019 - \$4,727] 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 [2019 - \$5,000], of which \$nil [2019 - \$nil] was borrowed at year-end. Interest on the line of credit is calculated at prime less 0.25% [2.20% at year-end].

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

7. 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.

	2020 \$	2019 \$
Balance, beginning of year	121,640	120,792
Additional contributions received	1,433	4,288
Amounts amortized to revenue	(3,917)	(3,440)
Balance, end of year	119,156	121,640
Unamortized capital contributions	118,422	120,906
Unspent contributions	734	734
Balance, end of year	119,156	121,640

8. 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.

	2020 \$	2019 \$
Accrued employee future benefit obligations	6,399	6,480
Unamortized actuarial losses	(42)	(81)
	6,357	6,399
Less current portion	40	40
Non-current portion	6,317	6,359
Current year benefit cost	333	313
Amortization of actuarial losses	(243)	(255)
Interest on accrued obligation	166	165
	256	223

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2020

[Thousands of Dollars]

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, 2020 of the future benefits was determined using a discount rate of 3.29% [2019 – 3.18%].

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 2020 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.

9. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	2020	2019
	\$	\$
Property, plant and equipment at net book value	214,578	220,024
Amounts financed by		
Deferred capital contributions	(118,422)	(120,906)
Long-term debt	(46,271)	(48,090)
	49,885	51,028

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

	2020	2019
	\$	\$
Loss for year		
Amortization of equipment	(2,683)	(2,769)
Amortization of buildings/leaseholds	(6,164)	(5,835)
Amortization of deferred capital contributions	3,917	3,440
Loss on disposal of equipment	(1)	(225)
	(4,931)	(5,389)

St. Joseph's Care Group

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[Thousands of Dollars]

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

	2020 \$	2019 \$
Purchase of property, plant and equipment	3,403	8,623
Amounts funded by		
Ministries of Health and Long-Term Care	(1,032)	(3,909)
St. Joseph's Foundation of Thunder Bay	(381)	(89)
Other	(20)	(290)
Repayment of long-term debt	1,819	1,759
Proceeds from disposals	(1)	(230)
	3,788	5,864

10. RESTRICTED REPLACEMENT RESERVE FUNDS

This accumulated fund balance is comprised of the following:

	2020 \$	2019 \$
P. R. Cook Apartments		
Provision for year	96	96
Interest earned	15	12
Reserve Fund expenditures	(372)	(174)
Decrease in accumulated fund balance for year	(261)	(66)
Accumulated fund balance, beginning of year	718	784
Accumulated fund balance, end of year	457	718
Sister Leila Greco Apartments		
Provision for year	400	400
Interest earned	49	32
Reserve Fund expenditures	(31)	—
Increase in accumulated fund balance for year	418	432
Accumulated fund balance, beginning of year	2,405	1,973
Accumulated fund balance, end of year	2,823	2,405
Total accumulated fund balance, end of year	3,280	3,123

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11. STATEMENT OF CASH FLOWS

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

	2020	2019
	\$	\$
Decrease (increase) in current assets		
Accounts receivable – Ministries of Health and Long-Term Care/ North West Local Health Integration Network	362	(2,698)
Accounts receivable	2,960	(1,798)
Inventory	84	(214)
Prepaid expenses	(196)	43
	3,210	(4,667)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(2,603)	(4,312)
Deferred revenue	2,187	296
	(416)	(4,016)
Total net change	2,794	(8,683)

12. 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 \$381 [2019 - \$89] to the Care Group for use in the purchase of property, plant and equipment [see note 5].

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.

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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.

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 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:

	\$
2021	403
2022	403
2023	201

15. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$200 [2019 - \$170].

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.

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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, 2020 for the December 31, 2019 year, indicates HOOPP was 119 per cent funded. Contributions to HOOPP made during the year by the Care Group and its employees amounted to \$14,627 [2019 - \$14,257].

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 \$969 [2019 - \$1,182].

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 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.

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[Thousands of Dollars]

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 6). 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. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely affected economies around the world. Businesses have been forced to cease or limit operations for long or indefinite periods. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced greater volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

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[Thousands of Dollars]

In response to the COVID -19 pandemic, management has reviewed whether the recoverability of the Care Group's assets were negatively impacted or whether any negative impacts were encountered on the Care Group's existing liabilities, including any new liabilities that occurred as a result of the pandemic. Management's assessment provided that the Care Group was not materially affected by the COVID-19 pandemic. Therefore, no adjustments were made in response to the pandemic as of March 31, 2020.

20. SUBSEQUENT EVENT

Although some of the events related to the COVID-19 pandemic occurred during the Care Group's fiscal period, certain other events are considered non-adjusting subsequent events.

- Subsequent to the Care Group's year-end, the Care Group incurred incremental operating costs which are directly attributed to COVID-19. Examples of these incremental costs include: personal protective equipment costs; compensation costs for employees costs required to self-isolate; and costs associated with enhanced staff and client COVID-19 screening.
- In May, 2020, the Federal Government announced that specialized COVID-19 relief funding will be provided to hospitals to help cover heightened costs resulting from the COVID-19 pandemic. It is expected that the above-noted costs will be covered by government.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

As the events described above are considered non-adjusting subsequent events, the financial position and results of operations as of and for the year ended March 31, 2020 were not adjusted to reflect their impact. It is not possible to estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Care Group for future periods.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

St. Joseph's Care Group Operations

Year Ended March 31

Schedule 1

2020

2019

	Hospital Sector \$	Community Sector \$	Long-Term Care Sector \$	Apartments and Leased Areas \$	Total \$	Total \$
<i>[Thousands of Dollars]</i>						
REVENUE						
North West Health Integration Network	95,634	14,249	34,266	—	144,149	140,990
Alternative Level of Care Co-Payment	813	—	—	—	813	876
Long-Term Care - resident's portion	—	—	13,094	—	13,094	12,912
The District of Thunder Bay Social Services Administration Board	—	—	—	309	309	306
Program fees and rentals	—	1,259	60	3,318	4,637	4,565
Amortization of deferred contributions related to equipment	250	43	165	—	458	388
Municipal contributions	—	—	—	365	365	363
Other recoveries	12,901	2,010	4,004	169	19,084	16,787
	109,598	17,561	51,589	4,161	182,909	177,187
EXPENSES						
Amortization of equipment	1,702	56	915	10	2,683	2,769
Drugs	1,633	—	—	—	1,633	1,376
Interest on long-term debt	—	—	1,409	161	1,570	1,661
Medical and surgical supplies	955	—	497	—	1,452	1,493
Medical staff remuneration	7,237	295	105	—	7,637	7,768
Municipal taxes	44	—	—	829	873	831
Salaries and benefits	78,974	14,379	39,843	343	133,539	130,597
Supplies and other	13,608	2,836	11,109	1,723	29,276	28,963
	104,153	17,566	53,878	3,066	178,663	175,458
Excess (shortfall) of revenues over expenses before the following	5,445	(5)	(2,289)	1,095	4,246	1,729
Amortization of buildings/leaseholds	(2,332)	(377)	(2,625)	(830)	(6,164)	(5,835)
Amortization of deferred capital contributions related to building	1,696	376	881	506	3,459	3,052
Employee future benefits <i>[note 8]</i>	(267)	—	11	—	(256)	(223)
Loss on disposal of equipment	1	—	(2)	—	(1)	(225)
Restructuring	—	—	—	—	—	618
Excess (shortfall) of revenues over expenses for year	4,543	(6)	(4,024)	771	1,284	(884)

St. Joseph's Care Group Operations

Year Ended March 31

Schedule 1 (cont'd)

2019

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