



Grant Thornton

Financial Statements

St. Joseph's Care Group

March 31, 2021

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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, 2021, 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, 2021, 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 16, 2021

Chartered Professional Accountants
Licensed Public Accountants

St. Joseph's Care Group
Statement of Financial Position

Statement 1

As at March 31	2021	2020
	\$	\$
	<i>[Thousands of Dollars]</i>	
ASSETS		
Current		
Cash and cash equivalents	17,922	14,030
Accounts receivable - Ministries of Health and Long-Term Care/North West Local Health Integration Network	4,603	3,226
Accounts receivable, net <i>[note 2]</i>	3,389	3,173
Mortgage receivable due within one year <i>[note 3]</i>	73	71
Inventory	1,348	692
Prepaid expenses	932	791
Total current assets	28,267	21,983
Restricted assets <i>[note 4]</i>		
Endowment Fund	289	286
Restricted Replacement Reserve Fund	3,306	3,186
Restricted Benefits Fund	3,251	2,842
Capital Expenditure Reserve Fund	8,262	5,196
Total restricted assets	15,108	11,510
Non-current		
Mortgage receivable <i>[note 3]</i>	1,845	1,918
Property, plant and equipment <i>[note 5]</i>	208,669	214,578
	253,889	249,989

See accompanying notes to the financial statements.

On behalf of the Board:

Bishop Frederick Colli
 Director

Roberta Simpson
 Director

St. Joseph's Care Group
Statement of Financial Position

Statement 1 (cont'd)

As at March 31

2021

2020

\$ \$
[Thousands of Dollars]

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities	23,512	20,283
Deferred revenue	3,083	2,909
Long-term debt principal due within one year <i>[note 6]</i>	1,895	1,946
Employee future benefits <i>[note 8]</i>	40	40
Total current liabilities	28,530	25,178

Other accrued liabilities	450	450
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Long-term debt - non-current amount <i>[note 6]</i>	52,027	58,709
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Deferred capital contributions <i>[note 7]</i>	116,220	119,156
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Employee future benefits - non-current <i>[note 8]</i>	6,581	6,317
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NET ASSETS

Investment in property, plant and equipment <i>[note 9[a]]</i>	48,798	49,885
Unrestricted	(9,844)	(12,429)
Restricted		
Restricted Benefits Fund	3,251	2,842
Capital Expenditure Reserve Fund	8,262	5,196
Endowment Fund	289	286
Restricted Replacement Reserve Fund <i>[note 10]</i>	3,419	3,280
Accumulated remeasurement losses <i>[statement 5]</i>	(4,094)	(8,881)
Total net assets	50,081	40,179

253,889 **249,989**

St. Joseph's Care Group Statement of Operations

Statement 2

Year ended March 31 2021 2020

\$ \$
[Thousands of Dollars]

REVENUE [schedule 1]

North West Local Health Integration Network	158,798	144,149
Alternate Level of Care Co-Payment	1,032	813
Long-Term Care – resident's portion	12,447	13,094
First Nations and Inuit Health Branch	204	—
The District of Thunder Bay Social Services		
Administration Board	319	309
Program fees and rentals	4,608	4,637
Amortization of deferred contributions related to equipment	721	458
Municipal contributions	351	365
Other recoveries	11,813	13,027
	190,293	176,852

EXPENSES [schedule 1]

Amortization of equipment	2,629	2,683
Drugs	1,512	1,633
Interest on long-term debt	1,508	1,570
Medical and surgical supplies	2,343	1,452
Medical staff remuneration	8,330	7,637
Municipal taxes	840	873
Salaries and benefits	142,812	132,411
Supplies and other	24,850	24,347
	184,824	172,606

**Excess of revenue over expenses before
the following [schedule 1]**

	5,469	4,246
Amortization of buildings/leaseholds	(6,184)	(6,164)
Amortization of deferred capital contributions related to building	3,530	3,459
Employee future benefits [note 8]	(574)	(256)
North West Local Health Integration Network-Working Funds	2,876	—
Loss on disposal of equipment	(2)	(1)

Excess of revenue over expenses for year **5,115** **1,284**

See accompanying notes to the financial statements.

St. Joseph's Care Group

Statement of Changes in Net Assets

Statement 3

Year ended March 31

2021

2020

	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) \$	Total \$	Total \$
	<i>[Thousands of Dollars]</i>								
Balance, beginning of year	49,885	286	(12,429)	3,280	2,842	5,196	(8,881)	40,179	43,049
Excess (shortfall) of revenue over expenses for year <i>[note 9[b]]</i>	(4,564)	—	9,679	—	—	—	—	5,115	1,284
Net remeasurement gain (losses) for the year <i>[statement 5]</i>	—	—	—	—	—	—	4,787	4,787	(4,154)
Net change in investment in property, plant and equipment <i>[note 9[c]]</i>	3,477	—	(3,477)	—	—	—	—	—	—
Increase (decrease) in Restricted Benefits Fund	—	—	(409)	—	409	—	—	—	—
Change in Capital Expenditure Reserve Fund	—	—	(3,066)	—	—	3,066	—	—	—
Increase (decrease) in Restricted Replacement Reserve Fund balance <i>[note 10]</i>	—	—	(139)	139	—	—	—	—	—
Increase (decrease) in endowment	—	3	(3)	—	—	—	—	—	—
Balance, end of year	48,798	289	(9,844)	3,419	3,251	8,262	(4,094)	50,081	40,179

See accompanying notes to the financial statements.

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

Statement 4

Year ended March 31

2021

2020

	\$	\$
	<i>[Thousands of Dollars]</i>	
OPERATING ACTIVITIES		
Excess of revenue over expenses for year	5,115	1,284
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization of equipment	2,629	2,683
Amortization of deferred capital contributions	(4,251)	(3,917)
Amortization of buildings/leaseholds	6,184	6,164
Employee future benefits	264	(42)
Loss on disposal of equipment	2	1
	9,943	6,173
Net change in non-cash working capital accounts related to operations <i>[note 11]</i>	1,013	2,794
Cash provided by (used in) operating activities	10,956	8,967
INVESTMENT ACTIVITIES		
Transfer (increase) in Endowment Fund asset	(3)	(6)
Transfer (increase) decrease in Capital Expenditure Reserve Fund asset	(3,066)	(92)
Transfer (increase) in Restricted Replacement Reserve Fund asset	(120)	(386)
Transfer decrease (increase) to Restricted Benefits Fund asset	(409)	207
Transfer (Increase) in mortgage receivable	71	(389)
Cash used in (provided by) investment activities	(3,527)	(666)
CAPITAL ACTIVITIES		
Purchase of property, plant, and equipment	(2,906)	(3,403)
Deferred capital contributions received <i>[note 7]</i>	1,315	1,433
Proceeds from sale of assets	—	1
Cash used in capital activities	(1,591)	(1,969)
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,946)	(1,877)
Cash used in financing activities	(1,946)	(1,877)
Increase in cash during year	3,892	4,455
Cash position, beginning of year	14,030	9,575
Cash position, end of year	17,922	14,030
Represented by:		
Cash	15,389	14,030
Demand deposits	2,533	—
Cash and cash equivalents, end of year	17,922	14,030

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

2021

2020

	\$	\$
	<i>[Thousands of Dollars]</i>	
Accumulated remeasurement losses, beginning of year	(8,881)	(4,727)
Unrealized gains (losses) attributable to:		
Derivatives	4,787	(4,154)
Change in net remeasurement losses, for year	4,787	(4,154)
Accumulated remeasurement losses, end of year	(4,094)	(8,881)

See accompanying notes to the financial statements.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[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, 2021

[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, 2021

[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.

Cash and cash equivalents

The Care Group's policy is to present bank balances under cash and cash equivalents, including demand or term deposits with maturity period of three months or less at the date of acquisition. Cash equivalents are held for the purpose of meeting short-term cash commitments. These short-term cash commitments are subject to insignificant risk of changes in value and their recorded value represents their fair market value.

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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[Thousands of Dollars]

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 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, 2021

[Thousands of Dollars]

2. ACCOUNTS RECEIVABLE

	2021	2020
	\$	\$
Accounts receivable	2,786	2,558
Accrued receivable	314	586
Harmonized Sales Tax	618	530
	<u>3,718</u>	<u>3,674</u>
Less: Allowance for doubtful accounts	(329)	(501)
	<u>3,389</u>	<u>3,173</u>

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 the Lodge on Dawson. 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

Restricted asset held for the purpose of financing restricted funds are held in cash and/or cash equivalents of \$15,108 [2020 - \$11,510]

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[Thousands of Dollars]

5. PROPERTY, PLANT AND EQUIPMENT

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

	2021		2020	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Buildings				
P. R. Cook Apartments	6,282	5,285	5,955	5,225
St. Joseph's Heritage	12,145	9,831	12,083	9,727
Hogarth Riverview Manor	107,319	17,581	107,221	14,895
St. Joseph's Health Centre	4,614	1,428	4,540	1,317
Sister Margaret Smith Centre	15,109	4,318	14,965	3,937
Sister Leila Greco Apartments	22,449	4,761	22,449	4,197
East Wing	49,917	3,421	49,812	2,174
Amethyst	1,357	92	1,299	55
Furniture and equipment	48,595	36,190	48,118	34,164
Leasehold improvements	35,238	14,497	34,356	13,531
Site improvements	439	220	372	199
	303,464	97,624	301,170	89,421
Land	2,829		2,829	—
	306,293	97,624	303,999	89,421
Net book value		208,669		214,578

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[Thousands of Dollars]

6. LONG-TERM DEBT

	2021 \$	2020 \$
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.	84	282
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.	3,929	4,144
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.	28,354	29,275
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.	6,675	7,015
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.	1,482	1,542
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.	3,079	3,291
Carried forward	43,603	45,549

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[Thousands of Dollars]

	2021 \$	2020 \$
Brought forward	43,603	45,549
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
	49,828	51,774
Less principal due within one year	(1,895)	(1,946)
Add fair value adjustment of derivatives	4,094	8,881
Non-current amount	52,027	58,709

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

	\$
2022	1,895
2023	1,880
2024	1,948
2025	2,020
2026	2,093
Thereafter	39,992
	49,828

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, 2021, the interest rate swap agreements were in a net unfavourable position, representing a liability of \$4,094 [2020 - \$8,881] 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 [2020 - \$5,000], of which \$NIL [2020 - \$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, 2021

[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.

	2021	2020
	\$	\$
Balance, beginning of year	119,156	121,640
Additional contributions received	1,315	1,433
Amounts amortized to revenue	(4,251)	(3,917)
Balance, end of year	116,220	119,156
Unamortized capital contributions	115,486	118,422
Unspent contributions	734	734
Balance, end of year	116,220	119,156

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.

	2021	2020
	\$	\$
Accrued employee future benefit obligations	6,357	6,399
Expense less company contributions	264	(42)
	6,621	6,357
Less current portion	40	40
Non-current portion	6,581	6,317
Current year benefit cost	339	333
Non Vested Sick Leave Days Impact	310	-
Amortization of actuarial gains	(251)	(243)
Interest on accrued obligation	176	166
	574	256
Accrued employee future benefit obligations represented by:	2021	2020
	\$	\$
Post-Employment Benefits	6,311	6,357
Compensated Absences	310	-
	6,621	6,357

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2021

[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, 2021 of the future benefits was determined using a discount rate of 3.21% [2020 – 3.29%].

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 6.2% in 2021 to an ultimate rate of 5.0% per annum.

Non-vesting sick days

The Care Group has multiple employee groups that earn a specified number of sick days per month for use as paid absences in the event of illness or injury. These different groups each have specific employment agreements detailing an employee's annual sick day allotment and how many unused sick days in excess of annual allotment may be carryforward. Depending on the union group, employees can carryforward a max of 15 to 18 sick days, assuming accumulated days remain in excess of their annual allotment. These days do not vest and are available immediately. Sick days are paid out at the salary in effect at the time of usage.

The significant actuarial assumptions adopted in estimating the Care Group's accrued non-vesting sick days obligation are as follows:

The present value as at March 31, 2021 of the future obligation was determined using a discount rate of 3.21% [2020 – N/A].

A probability assessment is complete reviewing expected employees usage of their current year's allotment of sick leave credits and the number of excess days expected in a year. Probability is further broken down into age and work division categories.

An average rate of pay is applied in calculating a future obligation.

9. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	2021	2020
	\$	\$
Property, plant and equipment at net book value	208,669	214,578
Amounts financed by		
Deferred capital contributions	(115,486)	(118,422)
Long-term debt	(44,385)	(46,271)
	48,798	49,885

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Notes to the Financial Statements

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[Thousands of Dollars]

9. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	2021	2020
	\$	\$
Loss for year		
Amortization of equipment	(2,629)	(2,683)
Amortization of buildings/leaseholds	(6,184)	(6,164)
Amortization of deferred capital contributions	4,251	3,917
Loss on disposal of equipment	(2)	(1)
	(4,564)	(4,931)

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

	2021	2020
	\$	\$
Purchase of property, plant and equipment	2,906	3,403
Amounts funded by		
Ministries of Health and Long-Term Care	(816)	(1,032)
St. Joseph's Foundation of Thunder Bay	(495)	(381)
Other	(4)	(20)
Repayment of long-term debt	1,886	1,819
Proceeds from disposals	—	(1)
	3,477	3,788

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10. RESTRICTED REPLACEMENT RESERVE FUNDS

This accumulated fund balance is comprised of the following:

	2021 \$	2020 \$
P. R. Cook Apartments		
Provision for year	96	96
Interest earned	6	15
Reserve Fund expenditures	(384)	(372)
Decrease in accumulated fund balance for year	(282)	(261)
Accumulated fund balance, beginning of year	457	718
Accumulated fund balance, end of year	175	457
Sister Leila Greco Apartments		
Provision for year	400	400
Interest earned	21	49
Reserve Fund expenditures	-	(31)
Increase in accumulated fund balance for year	421	418
Accumulated fund balance, beginning of year	2,823	2,405
Accumulated fund balance, end of year	3,244	2,823
Total accumulated fund balance, end of year	3,419	3,280

11. STATEMENT OF CASH FLOWS

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

	2021 \$	2020 \$
Decrease (increase) in current assets		
Accounts receivable – Ministries of Health and Long-Term Care/ North West Local Health Integration Network	(1,377)	362
Accounts receivable	(216)	2,960
Inventory	(656)	84
Prepaid expenses	(141)	(196)
	(2,390)	3,210
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	3,229	(2,603)
Deferred revenue	174	2,187
	3,403	(416)
Total net change	1,013	2,794

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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 \$495 [2020 - \$381] 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.

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.

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 2022 and 2025. In addition, the Care Group has lease commitments for vehicles and equipment. The following minimum payments are required over the terms of the leases:

	\$
2022	413
2023	205
2024	2
2025	1

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[Thousands of Dollars]

15. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$207 [2020 - \$200].

16. PENSION PLAN

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are to be funded proportionately by the employees and the employer. The most recent actuarial valuation of HOOPP as at March 31, 2021 for the December 31, 2020 year, indicates HOOPP was 119 per cent funded. Contributions to HOOPP made during the year by the Care Group and its employees amounted to \$14,997 [2020 - \$14,627].

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, 2020 indicates the Plan remains fully funded. Contributions to the OP Trust made during the year by the Care Group and its employees amounted to \$882 [2020 - \$969].

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.

St. Joseph's Care Group

Notes to the Financial Statements

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[Thousands of Dollars]

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont'd)

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 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.

St. Joseph's Care Group

Notes to the Financial Statements

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[Thousands of Dollars]

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

In response to COVID-19 and consistent with guidance provided by the Ministry of Health and other government agencies, the Care Group has implemented a number of measures to protect patients and employees from COVID-19.

The Care Group continues to respond to the pandemic and plans for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

20. MINISTRY OF HEALTH PANDEMIC FUNDING

In connection with the ongoing coronavirus pandemic ("Covid-19"), the Ministry of Health ("MOH") has announced several funding programs intended to assist hospital service providers with incremental operating and revenue decreases resulting from Covid-19. The following are details on each funding program:

- (a) St. Joseph's Care Group ("Care Group") recognized revenue of \$2,878 in relation to incremental Covid-19 operating expense funding in the hospital sector, where \$757 was outstanding at yearend. This program's eligibility criteria stipulate that funding is permitted to hospitals approved under the Public Hospitals Act that have incurred incremental expenses due to Covid-19. Management's estimates focused on incremental costs specifically arising as a result of Covid-19.
- (b) the Care Group recognized revenue of \$267 in relation to Non-Ministry Lost Revenue, where \$267 was outstanding at yearend. This funding's eligibility criteria permits hospitals operating in Ontario to recognize revenue in relation to reduced non-ministry revenue encountered in the current fiscal year due to Covid-19. Management has reviewed current year's operations in comparison to prior year to develop estimates on non-ministry revenue that was reduced as a result of Covid-19.

Management's estimates applied when recognizing the Covid-19 funding is based on the most recent guidance provided by the MOH. While the MOH has provided guidance to the Care Group with respect to the maximum Covid-19 funding amounts potentially available, as well as eligibility criteria effecting revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements.

St. Joseph's Care Group

Notes to the Financial Statements

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[Thousands of Dollars]

20. MINISTRY OF HEALTH PANDEMIC FUNDING (Cont'd)

As such Management's estimates involved in recognizing these corresponding revenues, receivables and expenses could materially change upon settlement, as they are potentially subject to change pending any revisions to the original eligibility criteria set in the MOH's funding letters. If the MOH revises their eligibility criteria it may change Management's current estimates, these changes however will be accounted for in the period they are assessed.

21. MINISTRY OF HEALTH WORKING CAPITAL FUNDING

In March 2021, the Care Group was advised that it was eligible for one-time funding to address its working capital deficit. The Care Group is eligible to receive this funding based on defined eligibility criteria with the stipulation that the funding will only be used to reduce the Care Group's working capital deficit and is not to be used for operating purposes.

As at the date of approval of these financial statements, the MOH has provided a preliminary estimate of working capital funding of \$2,876 and has indicated that the final amount of funding is subject to further analysis and validation by the MOH. Any future adjustments to working capital funding will be reflect in the Care Group's financial statements in the year of settlement.

22. HEALTH INFRASTRUCTURE RENEWAL FUND

During the year the Care Group received \$923 in Health Infrastructure Renewal Funding, however due to COVID-19 the Care Group deferred \$390 of this funding, which was approved by the Ministry of Health.

23. SUBSEQUENT EVENT

The majority of St. Joseph's Care Group's operating funding is provided by the Province of Ontario. For the year ended March 31, 2021, this funding was received from the North West Local Health Integration Network. In the 2021 fiscal year, the province undertook a reorganization of the agencies that fund and plan the delivery of health services. This reorganization included the North West LHIN. Effective April 1, 2021, St. Joseph's Care Group received it's funding from Ontario Health North. This provincial funding agency reorganization has no impact on the funding or operations of St. Joseph's Care Group as all funding agreements were transferred from the North West Local Health Integration Network to Ontario Health North.

24. 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

2021 2020

	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	102,580	14,838	41,370	10	158,798	144,149
Alternate Level of Care Co-Payment	1,032	—	—	—	1,032	813
Long-Term Care - resident's portion	—	—	12,447	—	12,447	13,094
First Nations and Inuit Health Branch	204	—	—	—	204	—
The District of Thunder Bay Social Services Administration Board	—	—	—	319	319	309
Program fees and rentals	—	1,185	60	3,363	4,608	4,637
Amortization of deferred contributions related to equipment	491	43	187	—	721	458
Municipal contributions	—	—	—	351	351	365
Other recoveries	8,108	1,870	1,707	128	11,813	13,027
	112,415	17,936	55,771	4,171	190,293	176,852
EXPENSES						
Amortization of equipment	1,722	53	844	10	2,629	2,683
Drugs	1,512	—	—	—	1,512	1,633
Interest on long-term debt	—	—	1,356	152	1,508	1,570
Medical and surgical supplies	1,470	299	870	3	2,343	1,452
Medical staff remuneration	7,858	—	173	—	8,330	7,637
Municipal taxes	44	—	—	796	840	873
Salaries and benefits	84,494	14,887	43,090	341	142,812	132,411
Supplies and other	11,410	2,710	9,056	1,674	24,850	24,347
	108,510	17,949	55,389	2,976	184,824	172,606
Excess (shortfall) of revenues over expenses before the following	3,905	(13)	382	1,195	5,469	4,246
Amortization of buildings/leaseholds	(2,386)	(381)	(2,639)	(778)	(6,184)	(6,164)
Amortization of deferred capital contributions related to building	1,762	376	885	507	3,530	3,459
Employee future benefits <i>[note 8]</i>	(275)	—	(299)	—	(574)	(256)
North West Health Integration Network Working Funds <i>[Note</i>	2,876	—	—	—	2,876	—
Loss on disposal of equipment	(1)	—	(1)	—	(2)	(1)
Excess (shortfall) of revenues over expenses for year	5,881	(18)	(1,672)	924	5,115	1,284

St. Joseph's Care Group Operations

Year Ended March 31

Schedule 1 (cont'd)

2020

	Hospital Sector \$	Community Sector \$	Long-Term Care Sector \$	Apartments and Leased Areas \$	Total \$
<i>[Thousands of Dollars]</i>					
REVENUE					
North West Health Integration Network	95,634	14,249	34,266	—	144,149
Alternate Level of Care Co-Payment	813	—	—	—	813
Long-Term Care - resident's portion	—	—	13,094	—	13,094
The District of Thunder Bay Social Services Administration Board	—	—	—	309	309
Program fees and rentals	—	1,259	60	3,318	4,637
Amortization of deferred contributions related to equipment	250	43	165	—	458
Municipal contributions	—	—	—	365	365
Other recoveries	9,576	1,529	1,753	169	13,027
	106,273	17,080	49,338	4,161	176,852
EXPENSES					
Amortization of equipment	1,702	56	915	10	2,683
Drugs	1,633	—	—	—	1,633
Interest on long-term debt	—	—	1,409	161	1,570
Medical and surgical supplies	955	—	497	—	1,452
Medical staff remuneration	7,237	295	105	—	7,637
Municipal taxes	44	—	—	829	873
Salaries and benefits	78,317	13,908	39,843	343	132,411
Supplies and other	10,940	2,826	8,858	1,723	24,347
	100,828	17,085	51,627	3,066	172,606
Excess (shortfall) of revenues over expenses before the following	5,445	(5)	(2,289)	1,095	4,246
Amortization of buildings/leaseholds	(2,332)	(377)	(2,625)	(830)	(6,164)
Amortization of deferred capital contributions related to building	1,696	376	881	506	3,459
Employee future benefits <i>[note 8]</i>	(267)	—	11	—	(256)
Loss on disposal of equipment	1	—	(2)	—	(1)
Restructuring	—	—	—	—	—
Excess (shortfall) of revenues over expenses for year	4,543	(6)	(4,024)	771	1,284