



Grant Thornton

Financial Statements

St. Joseph's Care Group

March 31, 2022

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Independent Auditor's Report

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 Group"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets, remeasurement gains and losses, and cash flow 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, 2022, 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 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 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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 15, 2022

Chartered Professional Accountants
Licensed Public Accountants

St. Joseph's Care Group
Statement of Financial Position

Statement 1

As at March 31

2022

2021

\$ \$
[Thousands of Dollars]

ASSETS

Current

Cash and cash equivalents	26,447	17,922
Accounts receivable – Ontario Health and Ministry of Long-Term Care	-	4,603
Accounts receivable, net <i>[note 2]</i>	4,299	3,389
Mortgage receivable due within one year <i>[note 3]</i>	75	73
Inventory	1,161	1,348
Prepaid expenses	1,210	932
Total current assets	33,192	28,267

Restricted assets *[note 4]*

Endowment Fund	291	289
Restricted Replacement Reserve Fund	3,446	3,306
Restricted Benefits Fund	3,195	3,251
Capital Expenditure Reserve Fund	8,221	8,262
Total restricted assets	15,153	15,108

Non-current

Mortgage receivable <i>[note 3]</i>	1,769	1,845
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Property, plant and equipment *[note 5]*

205,499	208,669
255,613	253,889

See accompanying notes to the financial statements.

On behalf of the Board:

Susan Fraser
 Director

Roberta Simpson
 Director

St. Joseph's Care Group
Statement of Financial Position

Statement 1 (cont'd)

As at March 31

2022

2021

\$ \$
[Thousands of Dollars]

LIABILITIES AND NET ASSETS

Current

Ontario Health and Ministry of Long-Term Care	2,773	-
Accounts payable and accrued liabilities	22,295	23,512
Deferred revenue	3,472	3,083
Long-term debt principal due within one year <i>[note 6]</i>	1,880	1,895
Employee future benefits <i>[note 8]</i>	40	40
Total current liabilities	30,460	28,530

Other accrued liabilities 450 450

Long-term debt - non-current amount *[note 6]* 47,251 52,027

Deferred capital contributions *[note 7]* 114,852 116,220

Employee future benefits - non-current *[note 8]* 6,598 6,581

NET ASSETS

Investment in property, plant and equipment <i>[note 9[a]]</i>	48,829	48,798
Unrestricted	(7,047)	(9,844)
Restricted		
Restricted Benefits Fund	3,195	3,251
Capital Expenditure Reserve Fund	8,299	8,262
Endowment Fund	291	289
Restricted Replacement Reserve Fund <i>[note 10]</i>	3,711	3,419
Accumulated remeasurement losses <i>[statement 5]</i>	(1,276)	(4,094)
Total net assets	56,002	50,081

255,613 253,889

St. Joseph's Care Group Statement of Operations

Statement 2

Year ended March 31

2022

2021

\$ \$
[Thousands of Dollars]

REVENUE [schedule 1]

Ontario Health and Ministry of Long-Term Care	164,665	158,798
Alternate Level of Care Co-Payment	566	1,032
Long-Term Care – resident's portion	12,446	12,447
First Nations and Inuit Health Branch	582	204
The District of Thunder Bay Social Services Administration Board	324	319
Program fees and rentals	4,683	4,608
Amortization of deferred contributions related to equipment	665	721
Municipal contributions	336	351
Other recoveries	15,713	11,813
	199,980	190,293

EXPENSES [schedule 1]

Amortization of equipment	2,358	2,629
Drugs	1,560	1,512
Interest on long-term debt	1,492	1,508
Medical and surgical supplies	2,888	2,343
Medical staff remuneration	8,563	8,330
Municipal taxes	828	840
Salaries and benefits	147,863	142,812
Supplies and other	28,122	24,850
	193,674	184,824

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

	6,306	5,469
Amortization of buildings/leaseholds	(6,403)	(6,184)
Amortization of deferred capital contributions related to building	3,629	3,530
Employee future benefits [note 8]	(425)	(574)
Ontario Health -Working Funds	-	2,876
Loss on disposal of equipment	(4)	(2)
Excess of revenue over expenses for year	3,103	5,115

See accompanying notes to the financial statements.

St. Joseph's Care Group

Statement of Changes in Net Assets

Statement 3

Year ended March 31

2022

2021

	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	48,798	289	(9,844)	3,419	3,251	8,262	(4,094)	50,081	40,179
Excess (shortfall) of revenue over expenses for year <i>[note 9[b]]</i>	(4,471)	—	7,574	—	—	—	—	3,103	5,115
Net remeasurement gain (losses) for the year <i>[statement 5]</i>	—	—	—	—	—	—	2,818	2,818	4,787
Net change in investment in property, plant and equipment <i>[note 9[c]]</i>	4,502	—	(4,502)	—	—	—	—	—	—
Increase (decrease) in Restricted Benefits Fund	—	—	56	—	(56)	—	—	—	—
Change in Capital Expenditure Reserve Fund	—	—	(37)	—	—	37	—	—	—
Increase (decrease) in Restricted Replacement Reserve Fund balance <i>[note 10]</i>	—	—	(292)	292	—	—	—	—	—
Increase (decrease) in endowment	—	2	(2)	—	—	—	—	—	—
Balance, end of year	48,829	291	(7,047)	3,711	3,195	8,299	(1,276)	56,002	50,081

See accompanying notes to the financial statements.

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

Statement 4

Year ended March 31	2022	2021
	\$	\$
	<i>[Thousands of Dollars]</i>	
OPERATING ACTIVITIES		
Excess of revenue over expenses for year	3,103	5,115
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization of equipment	2,358	2,629
Amortization of deferred capital contributions	(4,294)	(4,251)
Amortization of buildings/leaseholds	6,403	6,184
Employee future benefits	17	264
Loss on disposal of equipment	4	2
	7,591	9,943
Net change in non-cash working capital accounts related to operations <i>[note 11]</i>	5,547	1,013
Cash provided by operating activities	13,138	10,956
INVESTMENT ACTIVITIES		
Transfer (increase) in Endowment Fund asset	(2)	(3)
Transfer (increase) in Capital Expenditure Reserve Fund asset	(37)	(3,066)
Transfer (increase) in Restricted Replacement Reserve Fund asset	(140)	(120)
Transfer decrease (increase) to Restricted Benefits Fund asset	56	(409)
Transfer (Increase) in mortgage receivable	74	71
Cash used in investment activities	(49)	(3,527)
CAPITAL ACTIVITIES		
Purchase of property, plant, and equipment	(5,595)	(2,906)
Deferred capital contributions received <i>[note 7]</i>	2,926	1,315
Cash used in capital activities	(2,669)	(1,591)
FINANCING ACTIVITY		
Repayment of long-term debt	(1,895)	(1,946)
Cash used in financing activity	(1,895)	(1,946)
Increase in cash during year	8,525	3,892
Cash position, beginning of year	17,922	14,030
Cash position, end of year	26,447	17,922
Represented by:		
Cash	26,447	15,389
Demand deposits	-	2,533
Cash and cash equivalents, end of year	26,447	17,922

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	2022	2021
	\$	\$
	<i>[Thousands of Dollars]</i>	
Accumulated remeasurement losses, beginning of year	(4,094)	(8,881)
Unrealized gains (losses) attributable to:		
Derivatives	2,896	4,787
Investment	(78)	-
Change in net remeasurement losses for year	2,818	4,787
Accumulated remeasurement losses, end of year	(1,276)	(4,094)

See accompanying notes to the financial statements.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[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 Health and Ministry of Long-Term Care. 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. Ontario Health and Ministry of Long-Term Care 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, Ontario Health and Ministry of Long-Term Care has the right to adjust some of the funding streams received. Given that the Ontario Health and Ministry of Long-Term Care is not required to communicate funding adjustments until after the submission of year-end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Fund accounting

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

Unrestricted Fund

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

Endowment Fund

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

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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 20% for buildings, 5% to 50% for furniture and equipment, 20% for site improvements and 2.5% to 10% 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.

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 Ontario Health and Ministry of Long-Term Care. Ontario Health 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 Ontario Health and Ministry of Long-Term Care.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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.

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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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 – Ontario Health & Ministry of Long-Term Care, 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.

2. ACCOUNTS RECEIVABLE

	2022	2021
	\$	\$
Accounts receivable	2,754	2,786
Accrued receivable	1,442	314
Harmonized Sales Tax	632	618
	4,828	3,718
Less: Allowance for doubtful accounts	(529)	(329)
	4,299	3,389

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

3. MORTGAGE RECEIVABLE

On January 15, 2019, St. Joseph's Foundation of Thunder Bay entered into a mortgage agreement with St. Joseph's Care Group for 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

	2022		2021	
	Cost \$	Market value \$	Cost \$	Market value \$
ENDOWMENT FUND				
Restricted				
Cash	291	291	289	289
REPLACEMENT RESERVE FUND				
Restricted				
Cash	3,446	3,446	3,306	3,306
BENEFITS FUND				
Restricted				
Cash	3,195	3,195	3,251	3,251
CAPITAL EXPENDITURE RESERVE FUND				
Restricted				
Cash	5,841	5,841	8,262	8,262
Equity Investments	2,458	2,380	-	-
	8,299	8,221	8,262	8,262

Equity investments consist of marketable securities of publicly traded companies. Fair value measurement for equity investments is derived from quoted prices in active markets.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

5. PROPERTY, PLANT AND EQUIPMENT

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

	2022		2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Buildings				
P. R. Cook Apartments	6,659	5,230	6,282	5,126
St. Joseph's Heritage	12,427	9,843	12,145	9,705
Hogarth Riverview Manor	107,943	20,291	107,319	17,581
St. Joseph's Health Centre	4,736	1,552	4,614	1,428
Sister Margaret Smith Centre	15,139	4,717	15,109	4,333
Sister Leila Greco Apartments	22,449	5,325	22,449	4,761
East Wing	49,932	4,669	49,917	3,421
Amethyst	1,361	131	1,357	92
Furniture and equipment	49,902	38,471	48,595	36,458
Leasehold improvements	37,704	15,563	35,238	14,498
Site improvements	457	247	439	221
	308,709	106,039	303,464	97,624
Land	2,829		2,829	—
	311,538	106,039	306,293	97,624
Net book value		205,499		208,669

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

6. LONG-TERM DEBT

	2022 \$	2021 \$
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
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.	3,704	3,929
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.	27,396	28,354
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.	6,326	6,675
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.	1,420	1,482
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.	2,862	3,079
Carried forward	41,708	43,603

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

	2021 \$	2021 \$
Brought forward	41,708	43,603
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
	47,933	49,828
Less principal due within one year	(1,880)	(1,895)
Add fair value adjustment of derivatives	1,198	4,094
Non-current amount	47,251	52,027

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

	\$
2023	1,880
2024	1,948
2025	2,020
2026	2,093
2027	2,172
Thereafter	37,820
	47,933

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 \$1,198 [2021 - \$4,094] 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 [2021 - \$5,000], of which \$nil [2021 - \$nil] was borrowed at year-end. Interest on the line of credit is calculated at prime less 0.25% [2.45% at year-end].

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[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.

	2022 \$	2021 \$
Balance, beginning of year	116,220	119,156
Additional contributions received	2,926	1,315
Amounts amortized to revenue	(4,294)	(4,251)
Balance, end of year	114,852	116,220
Unamortized capital contributions	114,118	115,486
Unspent contributions	734	734
Balance, end of year	114,852	116,220

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:

	2022 \$	2021 \$
Accrued employee future benefit obligations	6,621	6,357
Expense less company contributions	17	264
	6,638	6,621
Less current portion	40	40
Non-current portion	6,598	6,581
Current year benefit cost	442	339
Non-Vested Sick Leave Days Impact	-	310
Amortization of actuarial gains	(199)	(251)
Interest on accrued obligation	182	176
	425	574
	2022 \$	2021 \$
Accrued employee future benefit obligations represented by:		
Post-Employment Benefits	6,328	6,311
Compensated Absences	310	310
	6,638	6,621

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[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, 2022 of the future benefits was determined using a discount rate of 3.89% [2021 – 3.21%].

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, 2022 of the future obligation was determined using a discount rate of 3.89% [2020 – 3.21%].

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:

	2022	2021
	\$	\$
Property, plant and equipment at net book value	205,499	208,669
Amounts financed by		
Deferred capital contributions	(114,118)	(115,486)
Long-term debt	(42,552)	(44,385)
	48,829	48,798

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[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:

	2022 \$	2021 \$
Loss for year		
Amortization of equipment	(2,358)	(2,629)
Amortization of buildings/leaseholds	(6,403)	(6,184)
Amortization of deferred capital contributions	4,294	4,251
Loss on disposal of equipment	(4)	(2)
	(4,471)	(4,564)

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

	2022 \$	2021 \$
Purchase of property, plant and equipment	5,595	2,906
Amounts funded by		
Ontario Health and Ministry of Long-Term Care	(2,486)	(816)
St. Joseph's Foundation of Thunder Bay	(440)	(495)
Other		(4)
Repayment of long-term debt	1,833	1,886
Proceeds from disposals	-	-
	4,502	3,477

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

10. RESTRICTED REPLACEMENT RESERVE FUNDS

This accumulated fund balance is comprised of the following:

	2022	2021
	\$	\$
P. R. Cook Apartments		
Provision for year	96	96
Interest earned	6	6
Reserve Fund expenditures	(231)	(384)
Decrease in accumulated fund balance for year	(129)	(282)
Accumulated fund balance, beginning of year	175	457
Accumulated fund balance, end of year	46	175
Sister Leila Greco Apartments		
Provision for year	400	400
Interest earned	21	21
Reserve Fund expenditures	-	-
Increase in accumulated fund balance for year	421	421
Accumulated fund balance, beginning of year	3,244	2,823
Accumulated fund balance, end of year	3,665	3,244
Total accumulated fund balance, end of year	3,711	3,419

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

11. STATEMENT OF CASH FLOWS

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

	2022	2021
	\$	\$
Decrease (increase) in current assets		
Accounts receivable – Ontario Health and Ministry of Long-Term Care	4,603	(1,377)
Accounts receivable	(910)	(216)
Inventory	187	(656)
Prepaid expenses	(278)	(141)
	3,602	(2,390)
Increase (decrease) in current liabilities		
Ontario Health and Ministry of Long-Term Care	2,773	-
Accounts payable and accrued liabilities	(1,217)	3,229
Deferred revenue	389	174
	1,945	3,403
Total net change	5,547	1,013

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 [2021 - \$495] 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.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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 2023 and 2027. In addition, the Care Group has lease commitments for vehicles and equipment. The following minimum payments are required over the terms of the leases:

	\$
2023	406
2024	403
2025	402
2026	401
2027	201

15. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$199 [2021 - \$207].

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.

Variations 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, 2022 for the December 31, 2021 year, indicates HOOPP was 120 per cent funded. Contributions to HOOPP made during the year by the Care Group and its employees amounted to \$15,367 [2021 - \$14,997].

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, 2021 indicates the Plan remains fully funded. Contributions to the OP Trust made during the year by the Care Group and its employees amounted to \$753 [2021 - \$882].

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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.

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 have financial instruments in the equity market.

The Care Group is exposed to this risk through its long-term investment in its capital reserve account. This risk is being managed by a portfolio manager.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

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

In response to COVID-19 and consistent with guidance provided by Ontario Health and the Ministry of Long-Term Care 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. ONTARIO HEALTH PANDEMIC FUNDING

In connection with the ongoing coronavirus pandemic ("COVID-19"), Ontario Health ("OH") has provided funding intended to assist hospital service providers with incremental operating and revenue decreases resulting from COVID-19.

Management's estimates applied when recognizing the COVID-19 funding is based on the most recent guidance provided by the OH. While the OH 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.

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 OH's funding criteria.

St. Joseph's Care Group

Notes to the Financial Statements

March 31, 2022

[Thousands of Dollars]

21. HEALTH INFRASTRUCTURE RENEWAL FUND

During the year the Care Group received \$1,636 in Health Infrastructure Renewal Funding, however due to COVID-19 the Care Group deferred \$374 of this funding, which was approved by the Ministry of Health.

22. COMPARATIVE FIGURES

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

St. Joseph's Care Group Operations

Schedule 1

Year Ended March 31

2022

2021

	Hospital Sector \$	Community Sector \$	Long-Term Care Sector \$	Apartments and Leased Areas \$	Total \$	Total \$
<i>[Thousands of</i>						
Dollars]						
REVENUE						
Ontario Health and Ministry of Long-Term Care	103,042	15,381	46,242	—	164,665	158,798
Alternate Level of Care Co-Payment	566	—	—	—	566	1,032
Long-Term Care - resident's portion	—	—	12,446	—	12,446	12,447
First Nations and Inuit Health Branch	582	—	—	—	582	204
The District of Thunder Bay Social Services Administration Board	—	—	—	324	324	319
Program fees and rentals	—	1,240	60	3,383	4,683	4,608
Amortization of deferred contributions related to equipment	381	43	234	—	665	721
Municipal contributions	—	—	—	336	336	351
Other recoveries	11,914	1,761	1,847	191	15,713	11,813
	116,492	18,425	60,829	4,234	199,980	190,293
EXPENSES						
Amortization of equipment	1,643	58	647	10	2,358	2,629
Drugs	1,560	—	—	—	1,560	1,512
Interest on long-term debt	—	—	1,337	155	1,492	1,508
Medical and surgical supplies	1,762	295	1,119	7	2,888	2,343
Medical staff remuneration	8,150	—	118	—	8,563	8,330
Municipal taxes	43	—	—	785	828	840
Salaries and benefits	85,760	15,184	46,555	364	147,863	142,812
Supplies and other	13,619	2,881	9,906	1,716	28,122	24,850
	112,537	18,418	59,682	3,037	193,674	184,824
Excess (shortfall) of revenues over expenses before the following	3,955	7	1,147	1,197	6,306	5,469
Amortization of buildings/leaseholds	(2,495)	(384)	(2,702)	(822)	(6,403)	(6,184)
Amortization of deferred capital contributions related to building	1,861	376	885	507	3,629	3,530
Employee future benefits [note 8]	(217)	—	(208)	—	(425)	(574)
Ontario Health - Working Funds	—	—	—	—	—	2,876
Loss on disposal of equipment	—	—	(4)	—	(4)	(2)
Excess (shortfall) of revenues over expenses for year	3,104	(1)	(882)	882	3,103	5,115

St. Joseph's Care Group Operations

Year Ended March 31

Schedule 1 (cont'd)

2021

	Hospital Sector \$	Community Sector \$	Long-Term Care Sector \$	Apartments and Leased Areas \$	Total \$
<i>[Thousands of Dollars]</i>					
REVENUE					
Ontario Health and Ministry of Long-Term Care	102,580	14,838	41,370	10	158,798
Alternate Level of Care Co-Payment	1,032	—	—	—	1,032
Long-Term Care - resident's portion	—	—	12,447	—	12,447
First Nations and Inuit Health Branch	204	—	—	—	204
The District of Thunder Bay Social Services Administration Board	—	—	—	319	319
Program fees and rentals	—	1,185	60	3,363	4,608
Amortization of deferred contributions related to equipment	491	43	187	—	721
Municipal contributions	—	—	—	351	351
Other recoveries	8,108	1,870	1,707	128	11,813
	112,415	17,936	55,771	4,171	190,293
EXPENSES					
Amortization of equipment	1,722	53	844	10	2,629
Drugs	1,512	—	—	—	1,512
Interest on long-term debt	—	—	1,356	152	1,508
Medical and surgical supplies	1,470	—	870	3	2,343
Medical staff remuneration	7,858	299	173	—	8,330
Municipal taxes	44	—	—	796	840
Salaries and benefits	84,494	14,887	43,090	341	142,812
Supplies and other	11,410	2,710	9,056	1,674	24,850
	108,510	17,949	55,389	2,976	184,824
Excess (shortfall) of revenues over expenses before the following	3,905	(13)	382	1,195	5,469
Amortization of buildings/leaseholds	(2,386)	(381)	(2,639)	(778)	(6,184)
Amortization of deferred capital contributions related to building	1,762	376	885	507	3,530
Employee future benefits <i>[note 8]</i>	(275)	—	(299)	—	(574)
Ontario Health - Working Funds	2,875	—	—	—	2,875
Loss on disposal of equipment	(1)	—	(1)	—	(2)
Excess (shortfall) of revenues over expenses for year	5,881	(18)	(1,672)	924	5,115