

Financial Statements of

**THE RELIGIOUS
HOSPITALLERS OF
ST. JOSEPH OF THE
HOTEL DIEU OF ST.
CATHARINES**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines

Opinion

We have audited the accompanying financial statements of The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines (the "Entity") which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of changes in net deficit for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, its remeasurement gains and losses, its changes in 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the 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 Entity's ability to continue as a going concern; disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

May 26, 2020

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

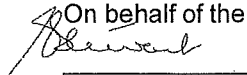
	2020	2019
Assets		
Current assets:		
Cash	\$ 3,276,733	\$ 2,545,444
Accounts receivable (note 3)	1,367,127	835,602
Short-term investments (note 4)	2,729,717	2,895,887
Inventory	142,652	80,796
Prepaid expenses and deposits	175,975	187,406
	<u>7,692,204</u>	<u>6,545,135</u>
Long-term investments (note 4)	1,415,100	1,559,769
Capital assets (note 5)	8,900,727	8,933,805
	<u>\$ 18,008,031</u>	<u>\$ 17,038,709</u>

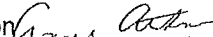
Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,083,658	\$ 1,252,221
Accrued salaries, wages and benefits	5,280,169	4,988,748
Employee future benefits (note 6)	195,100	198,800
	<u>7,558,927</u>	<u>6,439,769</u>
Employee future benefits (note 6)	2,071,500	2,029,300
Deferred contributions (note 7):		
Expenses of future periods	1,600,292	1,797,832
MoHLTC capital planning	290,609	-
Deferred capital contributions	8,345,825	7,792,582
	<u>10,236,726</u>	<u>9,590,414</u>
	<u>19,867,153</u>	<u>18,059,483</u>
Net assets (deficiency):		
Invested in capital assets (note 8)	1,881,499	2,467,820
Internally restricted	2,858,768	2,858,768
Unrestricted	(6,464,516)	(6,378,579)
	<u>(1,724,249)</u>	<u>(1,051,991)</u>
Accumulated remeasurement (losses) gains	(134,873)	31,217
	<u>(1,859,122)</u>	<u>(1,020,774)</u>
Contingencies (note 10)		
Subsequent event (note 12)		
	<u>\$ 18,008,031</u>	<u>\$ 17,038,709</u>

See accompanying notes to financial statements.

On behalf of the Corporation:



President of the Corporation  Chairperson of the Trustees

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Local Health Integration Network - base allocation	\$ 25,787,254	\$ 25,530,155
Local Health Integration Network - one time payments	2,836,739	2,928,039
Bundled funding	1,009,966	600,092
Paymaster	227,604	227,604
MoHLTC - one time payments	44,017	43,121
	29,905,580	29,329,011
Recoveries, sales and other revenue	4,388,495	3,203,508
Amortization of deferred contributions related to equipment	363,705	378,113
Foundation donations	386,421	249,518
Other patient revenue and other programs	137,605	370,981
Investment income	-	174,648
Differential & co-payment revenue	124,371	97,133
	35,306,177	33,802,912
Expenses:		
Salaries	22,443,731	21,592,477
Employee benefits	6,599,326	6,287,346
Supplies and other expenses	4,959,217	4,589,716
Medical staff remuneration	737,569	566,227
Drugs	477,107	447,520
Equipment amortization	375,000	396,418
Medical & surgical supplies	191,098	159,079
Rental/lease of equipment	76,801	62,983
Bad debts	5,505	9,370
	35,865,354	34,111,136
Deficiency of revenues over expenses before the undernoted	(559,177)	(308,224)
Other revenues (expenses):		
Release of externally restricted funds	-	2,684,120
MoHLTC capital planning funding (note 5)	209,391	-
Capital planning expenses (note 5)	(209,391)	-
Amortization of building	(661,714)	(646,124)
Amortization of deferred contributions related to building	548,633	523,852
	(113,081)	2,561,848
(Deficiency) excess of revenues over expenses	\$ (672,258)	\$ 2,253,624

See accompanying notes to financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 31,217	\$ -
Unrealized (losses) gains attributable to investments	(166,090)	31,217
Accumulated remeasurement (losses) gains, end of year	\$ (134,873)	\$ 31,217

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Statement of Changes in Net Deficit

Year ended March 31, 2020, with comparative information for 2019

	Investment in Capital Assets	Internally Restricted	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ 2,467,820	\$ 2,858,768	\$ (6,378,579)	\$ (1,051,991)	\$ (3,305,615)
(Deficiency) excess of revenue over expenses (note 8)	(124,376)	-	(547,882)	(672,258)	2,253,624
Net change in capital assets (note 8)	(461,945)	-	461,945	-	-
Balance, end of year	\$ 1,881,499	\$ 2,858,768	\$ (6,464,516)	\$ (1,724,249)	\$ (1,051,991)

See accompanying notes to financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenses	\$ (672,258)	\$ 2,253,624
Items not involving cash:		
Transfer of deferred contributions to internally restricted revenue	-	(2,858,768)
Amortization of capital assets	1,036,714	1,042,542
Amortization of deferred contributions related to capital assets	(912,338)	(901,965)
Disposal of capital planning expenses	230,974	-
MoHLTC capital funding	(209,391)	-
Recognized deferred contributions related to expenses of future periods	(68,871)	(64,130)
Employee future benefits	38,500	27,900
	(556,670)	(500,797)
Changes in non-cash operating working capital:		
Increase in accounts receivable	(531,525)	(503,937)
(Increase) decrease in inventory	(61,856)	2,915
Decrease in prepaid expenses and deposits	11,431	26,521
Increase in accounts payable and accrued liabilities	831,437	86,869
(Decrease) increase in accrued salaries, wages and benefits	291,421	(240,401)
	540,908	(628,033)
Financing:		
Repayment of contributions related to capital assets	-	(2,645,476)
MoHLTC planning grant	500,000	-
Contributions received related to expenses of future periods	16,000	1,335
Contributions received related to capital assets	1,465,581	1,025,651
	1,981,581	(1,618,490)
Investments:		
Purchase of capital assets	(1,234,610)	(1,080,803)
Redemptions of short-term investments	80	39
Disposal of long-term investments	-	2,645,476
	(1,234,530)	1,564,712
Increase (decrease) in cash	731,289	(1,182,608)
Cash, beginning of year	2,545,444	3,728,052
Cash, end of year	\$ 3,276,733	\$ 2,545,444

See accompanying notes to financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements

Year ended March 31, 2020

The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines ("HDH") assumed governance and ownership of the Shaver/Rehab Site of the Niagara Health System ("NHS") on August 8, 2005 and is operating under the business name of Hotel Dieu Shaver Health and Rehabilitation Centre ("HDS"). HDH operates under the canonical sponsorship of Catholic Health International. Capital assets disclosed in the statement of financial position includes land, buildings and building service equipment, some of which was contributed by the Religious Hospitallers of St. Joseph.

1. Basis of presentation:

On November 3, 2004, HDH and NHS signed an agreement (the "November Agreement") to implement a new hospital delivery system in St. Catharines. This agreement required the transfer of ownership, governance, management and operation of the Ontario Street Site from HDH to NHS and the transfer of ownership, governance, management and operation of the Shaver/Niagara Rehabilitation Centre site from NHS to HDH. Based upon this initial agreement a transfer agreement dated August 8, 2005 was entered into by the parties and Ministry of Health and Long-term Care ("MoHLTC"). As a result, certain of the assets and liabilities of the HDH as at August 8, 2005 were transferred to NHS and certain assets and liabilities of the Shaver Rehabilitation Site of the NHS were transferred to HDH.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

HDS follows the deferral method of accounting for contributions which include donations and government grants.

HDS is funded primarily by the Province of Ontario in accordance with funding policies established by the MoHLTC. Any excess of revenues over expenses earned during a fiscal year may be retained by HDS. There is currently no commitment by the MoHLTC to fund deficits incurred by HDS. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The MoHLTC 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.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

HDS operates under a Hospital Service Accountability Agreement ("H-SAA") with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). The H-SAA has been amended a number of times to extend the term, most recently April 1, 2019 to extend to March 31, 2020. This agreement sets out the rights and obligations of the two parties in respect of funding provided to HDS by the LHIN. The H-SAA sets out the funding provided to HDS together with performance standards and obligations of HDS that establish acceptable results for the organization's performance.

If HDS does not meet certain performance standards or obligations, the LHIN has the right to adjust some funding streams received by HDS. Given that the LHIN 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.

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 grant relates to a future period, it is deferred and recognized in that subsequent period.

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 are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(b) Financial instruments:

Financial instruments are initially recorded on the statement of financial position at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method. All of the HDS's long-term investments are externally restricted and therefore all associated realized and unrealized gains and/or losses are recognized as direct increases/decreases to deferred contributions with no impact to the statement of changes in net assets or the statement of operations. Income earned from all investments is restricted for future spending on capital initiatives.

All of the HDS's short term investments are internally restricted and therefore all associated realized gains and/or losses are recognized as investment income and unrealized gains and/or losses are recorded through the accumulated statement of remeasurement of (losses) gains.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, HDS determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount HDS expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

HDS is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Investments held by HDS are classified as Level 1 and Level 2 investments.

(c) Investments:

Investments are recorded at fair value.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at their original cost less accumulated amortized and are amortized, when put into use, over their estimated useful life. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to HDS's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated on a straight line basis over the following number of years:

Asset	Rate
Buildings and building service equipment	20 - 50
Other equipment	5-15

Construction-in-progress is transferred to the appropriate asset category once the asset is complete and amortization commences when the asset is ready for use.

(f) Employee future benefits:

a. Multi-employer plan

Certain employees of HDS are eligible to be members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer average of the best five years' pay contributory pension plan, and employees are entitled to certain post-retirement benefits. In accordance with PSAS, the plan is accounted for as a defined contribution plan as there is insufficient information to apply defined benefit accounting.

b. Post-retirement benefit obligation

HDS provides post-retirement benefits including health, dental and life insurance premiums. The cost of post-retirement benefits related to employees' current service is charged to income annually. The cost of benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of discount rate, retirement age and expected health care and dental costs and other actuarial factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2017, and the next required valuation will be effective April 1, 2020. Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-retirement benefits plan is 12 years (2019 - 12 years).

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(g) Contributed services:

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

(h) Board designated internally restricted net assets:

Board designated internally restricted net assets include unrestricted donations designated for specific purposes by the Board of Directors.

(i) Use of estimates:

The preparation of the HDS's financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, pay equity accruals and obligations related to post-retirement benefits. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

3. Accounts receivable:

	2020	2019
Patient	\$ 712,361	\$ 730,909
Allowance for doubtful accounts	(20,000)	(20,000)
Other	674,766	124,693
	\$ 1,367,127	\$ 835,602

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Investments:

Short term investments consist of the following:

	2020 Market	2020 Cost	2019 Market	2019 Cost
SuperBuild Funding	\$ 2,413,364	\$ 2,576,261	\$ 2,542,168	\$ 2,522,095
Other investments	310,535	361,631	347,821	336,677
Other	5,818	5,818	5,898	5,898
	<u>\$ 2,729,717</u>	<u>\$ 2,943,710</u>	<u>\$ 2,895,887</u>	<u>\$ 2,864,670</u>

Long-term investments consist of the following:

	2020 Market	2020 Cost	2019 Market	2019 Cost
Ansell Fund	\$ 1,415,100	\$ 1,489,367	\$ 1,559,769	\$ 1,481,726
	<u>\$ 1,415,100</u>	<u>\$ 1,489,367</u>	<u>\$ 1,559,769</u>	<u>\$ 1,481,726</u>

Both short-term and long term investments consist of cash, guaranteed investment certificates ("GIC's"), bonds including strip bonds, equities, and units of Canadian and international equity mutual funds. The fair values of the short-term and long-term investments have been determined based on quoted values at the close of business on March 31, 2020. Investments in cash, GIC's and equities are classified as level 1 and investments in bonds and funds are classified as level 2.

The aggregate fair value of short term investments of \$2,729,717 is comprised of \$344,303 of cash and GICs, \$241,928 in equities and \$2,143,485 in mutual funds.

The aggregate fair value of long term investments of \$1,415,100 is comprised of \$506,936 of cash and money market funds, \$29,528 in strip bonds, \$441,681 in equities and \$436,955 in mutual funds.

The strip bonds pay interest at maturity and mature November 2020. The GIC's have an interest rate of 2.025 to 2.06% and mature in March 2021.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 8,191	\$ -	\$ 8,191	\$ 8,191
Land improvements	55,423	-	55,423	55,423
Buildings and building service equipment	29,075,590	21,985,655	7,089,935	6,916,128
Other equipment	12,129,990	10,708,048	1,421,942	1,723,089
Construction-in-progress	325,236	-	325,236	230,974
	\$ 41,594,430	\$ 32,693,703	\$ 8,900,727	\$ 8,933,805

During the year, assets previously recognized as construction-in-progress relating to the development of new rehabilitation beds and construction on the existing structure in the amount of \$230,394 were recognized in the statement of operations and included in supplies and other expenses. HDS determined that the costs previously incurred no longer contributed to HDS' ability to provide future services and were subsequently written-off. For the year ended March 31, 2020, HDS incurred \$209,391 in feasibility and planning costs related to a MoHLTC planning grant received in anticipation of new rehabilitation beds. These costs have been recognized as an expense in the statement of operations for the year ended March 31, 2020.

6. Employee future benefits:

Information about the accrued non-pension obligation and liability as at March 31, 2020, is as follows:

	2020	2019
Accrued benefit obligation, beginning of year	\$ 2,421,300	\$ 2,352,000
Current service cost	134,400	125,500
Interest cost	68,800	73,700
Benefits paid	(198,800)	(199,600)
Actuarial (gains) losses	(47,100)	69,700
Accrued benefit obligation, end of year	2,378,600	2,421,300
Less: Unamortized actuarial losses	112,000	193,200
Total accrued benefit liability, end of year	\$ 2,266,600	\$ 2,228,100
Composed of:		
Current	195,100	198,800
Long term	2,071,500	2,029,300
Total	\$ 2,266,600	\$ 2,228,100

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Employee future benefits (continued):

Amortization of actuarial losses during the year was \$34,100 (2019 - \$28,300) and is recognized in the statement of operations.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

	2020	2019
Discount rate	2.80%	2.80%
Extended health care premium increases (decreasing at 0.25% per year to an ultimate rate of 4.50%)	5.75%	6.00%
Dental premium increases	2.75%	2.75%

Employee future benefit expense for the year ended March 31, 2020 is \$38,500 (2019 - \$27,900).

HDS' contributions to HOOPP during the year amounted to \$1,846,766 (2019 - \$1,726,598) and is recognized in the statement of operations in the period earned. The most recent actuarial valuation of HOOPP as at December 31, 2019 indicates the plan has a 19% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research, future projects and other purposes. Included in amounts recognized as revenue in the year is an amount of \$nil (2019 - \$347,821) reported as one-time revenue in the statement of operations.

	2020	2019
Balance, beginning of year	\$ 1,797,832	\$ 2,179,902
Less amount recognized as revenue in the year	(68,871)	(411,951)
Add amount received related to future periods:		
Contributions received	16,000	1,335
Investment (loss) income on long-term investments	(144,669)	28,546
Balance, end of year	\$ 1,600,292	\$ 1,797,832

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Deferred contributions (continued):

(b) Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and is included in amortization of deferred contributions related to equipment and amortization of deferred contributions related to building.

	2020	2019
Balance, beginning of year	\$ 7,792,582	\$ 12,656,145
Additional contributions received	1,465,581	1,025,651
Less amounts amortized to revenue	(912,338)	(901,965)
Amounts repaid to MoHLTC	-	(2,645,476)
Amounts unrestricted and recognized as income	-	(2,341,772)
Balance, end of year	\$ 8,345,825	\$ 7,792,582

The balance of deferred capital contributions related to capital assets consists of the following:

	2020	2019
Unamortized capital contributions used to purchase capital assets	\$ 7,851,647	\$ 7,792,582
Unspent capital contributions	494,178	-
Balance, end of year	\$ 8,345,825	\$ 7,792,582

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 8,900,727	\$ 8,933,905
Amounts funded by deferred contributions	(7,019,228)	(6,466,085)
	<u>\$ 1,881,499</u>	<u>\$ 2,467,820</u>

(b) Change in net assets invested in capital assets is as follows:

	2020	2019
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 912,338	\$ 901,965
Amortization of capital assets	(1,036,714)	(1,042,542)
	<u>\$ (124,376)</u>	<u>\$ (140,577)</u>
Net change in investment in capital assets:		
Net purchases	\$ 1,234,610	\$ 1,080,803
Write-off of previously recognized capital planning costs	(230,974)	-
Amounts funded by deferred contributions	(1,465,581)	(1,025,651)
	<u>\$ (461,945)</u>	<u>\$ 55,152</u>

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Related entities:

Hotel Dieu Shaver Auxiliary (the "Auxiliary") and Hotel Dieu Shaver Health and Rehabilitation Foundation (the "Foundation") are related entities without share capital incorporated under the laws of Ontario. The Auxiliary and the Foundation are independent but exist to support HDS through volunteer groups involved in fund-raising through ancillary operations.

During the year, the Auxiliary provided donations totaling \$90,044 (2019 - \$87,400). These donations are included in deferred contributions related to capital assets (note 8). Also during the year, the Foundation provided donations totaling \$588,213 (2019 - \$662,041). A portion of these donations are for operating expenses and the remainder are included in deferred contributions related to capital assets (note 8).

As HDS does not control the Auxiliary or the Foundation, their results are not included in these financial statements.

10. Contingencies:

- (a) These financial statements include amounts for accrued costs, primarily employee and insurance costs related to the transfer of operations (note 1). The ultimate responsibility to fund these accrued costs is under negotiation. The amounts accrued represent management's best estimate of the obligation of HDS related to the transfer and these amounts are included in accrued salaries, wages and benefits.
- (b) HDS is currently in negotiations with labour groups over pay equity reviews ("pay equity plans"). HDS has entered into an agreement with the Ontario Hospital Association ("OHA") whereby OHA is authorized to act on HDS's behalf in all respects in the pay equity plan with OPSEU. This agreement stipulates that the settlement of a centrally negotiated pay equity plan will be legally binding subject to appeal by participating hospitals. The pay equity plan is expected to be effective and retroactive to April 1, 2002.

On June 10, 2007, the participating Hospitals entered into a Terms of Reference agreement with OPSEU for the preparation of an amended pay equity plan.

HDS, in conjunction with other participating hospitals, is also engaged in pay equity plan negotiations with SEIU.

On January 7, 2011, HDS received correspondence from Ontario Nurses' Association requesting to enter into negotiations concerning the maintenance of the pay equity plan.

These financial statements include accrued amounts which represent management's best estimate of the obligation of HDS for all pay equity plans from the date of transfer of operations on August 8, 2005 to March 31, 2020.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Contingencies (continued):

- (c) From time to time, the entity is subject to legal matters. The entity is currently named in a legal statement of claim. The likelihood of loss is not determinable as of the date of these financial statements. Accordingly no amounts have been accrued for other than certain anticipated legal costs and while varying amounts have been included in the statement of claim, estimates of any likely net loss are not known including the assessments of any portions that may covered by insurance subject to any deductibles.
- (d) HDS is currently subject to grievances filed by the SEIU regarding Pharmacy Tech Pay rates & vacation accruals for employees on maternity leave. HDS has determined that there a likelihood of loss on the grievances on and therefore an amount of \$66,300 and \$18,739 has been accrued respectively, for which represents managements best estimate of the obligation for HDS.

11. Financial risks:

HDS' financial instruments consist of cash, short-term and long-term investments, accounts receivable, accounts payable, and accrued wages, salaries and benefits. With the exception of investments, all financial instruments are recognized at amortized cost using the effective interest rate method. HDS' investments are classified as Level 1 and Level 2 financial instruments and are measured at fair value.

(a) Credit risk:

Credit risk is the risk of financial loss to HDS if a patient or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by HDS consisting of accounts receivable, cash and investments. The maximum exposure to credit risk of HDS at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2020 is \$20,000 (2019 - \$20,000).

(b) 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. HDS is exposed to market risk through the fluctuations of financial instruments recorded at fair value due to changes in market prices. As at March 31, 2020, HDS' total exposure to price risks is \$4,144,817 (2019 - \$4,455,656). HDS' estimate of the effect of net assets at March 31, 2020 due to a 1.0% increase or decrease in the fair value of investments, with all other variables held constant, would approximately amount to \$41,448 (2019 - \$44,557).

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that HDS will be unable to fulfill its obligations on a timely basis or at a reasonable cost. HDS manages its liquidity risk by monitoring its operating requirements. HDS prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose HDS to cash flow interest rate risk. HDS is exposed to interest rate risk through its interest bearing investments including bonds. As at March 31, 2020, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate \$NIL (2019- \$1,995).

12. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows and working capital levels due to changes in patient volumes, which may also have a direct impact on HDS's operating results and financial position in the future.

For the year ended March 31, 2020, HDS incurred approximately \$120,000 of COVID-19 related expenses primarily related to supplies, salaries and paid leave of absences. HDS received and recognized one-time funding in the amount of \$45,000 for the year ended March 31, 2020. As of the approval of these financial statements, the amount, timing and eligibility criteria for additional funding is unknown. As such, an estimate of the financial effect of this funding is not practicable at this time.