Financial Statements of

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

Year ended March 31, 2019

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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, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses
- 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, 2019, and its results of operations 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.

KPMG

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

Hamilton, Canada
June 5, 2019

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

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 2,545,444	$ 3,728,052
Accounts receivable (note 4)	835,602	331,665
Short-term investments (note 5)	2,895,887	5,942
Inventory	80,796	83,711
Prepaid expenses and deposits	187,406	213,927
	6,545,135	4,363,297
Long-term investments (note 5)	1,559,769	6,866,292
Capital assets (note 6)	8,933,805	8,895,544
	$ 17,038,709	$ 20,125,133
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,252,221	$ 1,165,352
Accrued salaries, wages and benefits	4,988,748	5,229,149
Employee future benefits (note 7)	198,800	199,000
	6,439,769	6,593,501
Employee future benefits (note 7)	2,029,300	2,001,200
Deferred contributions (note 8):		
Expenses of future periods	1,797,832	2,179,902
Deferred capital contributions	7,792,582	12,656,145
	9,590,414	14,836,047
Net assets (deficiency):		
Invested in capital assets (note 9)	2,467,820	2,553,245
Internally restricted (note 13)	2,858,768	-
Unrestricted	(6,378,579)	(5,858,860)
	(1,051,991)	(3,305,615)
Accumulated remeasurement gains	31,217	-
	(1,020,774)	(3,305,615)
Contingencies (note 11)		
	$ 17,038,709	$ 20,125,133

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, 2019, with comparative information for 2018

		2019		2018
Revenues:				
Local Health Integration Network - base allocation	$	25,530,155	$	25,107,654
Local Health Integration Network - one time payments		2,928,039		3,133,539
Bundled funding		600,092		-
Paymaster		227,604		227,604
MoHLTC - one time payments		43,121		42,179
		29,329,011		28,510,976
Recoveries, sales and other revenue		3,203,508		3,015,733
Amortization of deferred contributions related to equipment		378,113		392,345
Foundation donations		249,518		155,948
Other patient revenue and other programs		370,981		272,149
Investment income		174,648		-
Differential & co-payment revenue		97,133		269,581
		33,802,912		32,616,732
Expenses:				
Salaries		21,592,477		21,180,127
Employee benefits		6,287,346		6,042,986
Supplies and other expenses		4,589,716		4,509,611
Medical staff remuneration		566,227		571,259
Drugs		447,520		451,236
Equipment amortization		396,418		412,801
Medical & surgical supplies		159,079		159,095
Rental/lease of equipment		62,983		59,789
Bad debts		9,370		8,933
		34,111,136		33,395,837
Deficiency of revenues over expenses before the undernoted		(308,224)		(779,105)
Other revenues (expenses):				
Release of externally restricted funds (note 13)		2,684,120		-
Amortization of building		(646,124)		(631,214)
Amortization of deferred contributions related to building		523,852		501,689
		2,561,848		(129,525)
Excess (deficiency) of revenues over expenses	$	2,253,624	$	(908,630)

See accompanying notes to financial statements.

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

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Investment in Capital Assets	Internally Restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	$ 2,553,245	$ -	(5,858,860)	$ (3,305,615)	$ (2,396,985)
Excess (deficiency) of revenue over expenses (note 9)	(140,577)	2,858,768	(464,567)	2,253,624	(908,630)
Net change in capital assets (note 9)	55,152	-	(55,152)	-	-
Balance, end of year	$ 2,467,820	$ 2,858,768	$ (6,378,579)	$ (1,051,991)	$ (3,305,615)

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	$ 2,253,624	$ (908,630)
Items not involving cash:		
Transfer of deferred contributions to internally restricted revenue	(2,858,768)	-
Amortization of capital assets	1,042,542	1,044,015
Amortization of deferred contributions related to capital assets	(901,965)	(1,049,982)
Recognized deferred contributions related to expenses of future periods	(64,130)	(129,926)
Employee future benefits	27,900	22,200
	(500,797)	(1,022,323)
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(503,937)	40,446
Decrease in inventory	2,915	2,557
Decrease (increase) in prepaid expenses and deposits	26,521	(19,232)
Increase in accounts payable and accrued liabilities	86,869	63,773
(Decrease) increase in accrued salaries, wages and benefits	(240,401)	410,642
	(628,033)	498,186
Financing:		
Repayment of contributions related to capital assets	(2,645,476)	-
Contributions received related to expenses of future periods	1,335	40
Contributions received related to capital assets	1,025,651	1,121,526
	(1,618,490)	1,121,566
Investments:		
Purchase of capital assets	(1,080,803)	(880,112)
Redemptions of short-term investments	39	3,656,550
Disposal of long-term investments	2,645,476	-
	1,564,712	2,776,438
(Decrease) increase in cash	(1,182,608)	3,373,867
Cash, beginning of year	3,728,052	354,185
Cash, end of year	$ 2,545,444	$ 3,728,052

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

March 31, 2019, with comparative information for 2018

	2019	2018
Accumulated remeasurement gains (losses) at beginning of year	$ -	$ -
Unrealized gains attributable to investments	31,217	-
Accumulated remeasurement gains, end of year	$ 31,217	$ -

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 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.

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 on April 1, 2018 to extend to March 31, 2019. 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. Management has elected to record 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.

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.

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 gains (losses).

(c) Investments:

Investments are recorded at fair value.

(d) Inventories:

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

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at their original cost and amortized, when put into use, over their estimated life. Betterments which extend the estimated 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 capitalized as work in progresses and amortization commences when the asset is put into use.

(f) Employee future benefits:

HDS provides post-retirement benefits including health, dental and life insurance premiums. HDS uses the deferral and amortization approach to account for its defined benefit plans. 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 (2018 - 12 years).

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) 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. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

3. Accounting changes:

On April 1, 2018, the HDS adopted PS 3430 – Restructuring Transaction of the Canadian public sector accounting standard. This section establishes standards around measurement and disclosure requirements when a restructuring transaction exists. A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibilities. The adoption of this standard did not result in an accounting policy change for HDS, and did not result in any adjustments to the financial statements as at April 1, 2018.

4. Accounts receivable:

	2019	2018
Patient	$ 730,909	$ 253,252
Allowance for doubtful accounts	(20,000)	(40,590)
Other	124,693	119,003
	$ 835,602	$ 331,665

5. Investments:

Short term investments consist of the following:

	2019 Market	2019 Cost	2018 Market	2018 Cost
SuperBuild Funding	$ 2,542,168	$ 2,522,095	$ -	$ -
Other investments	347,821	336,677	-	-
Other	5,898	5,898	5,942	5942
	$ 2,895,887	$ 2,864,670	$ 5,942	$ 5,942

Long-term investments consist of the following:

	2019 Market	2019 Cost	2018 Market	2018 Cost
SuperBuild Funding	$ -	$ -	$ 4,987,248	$ 4,970,487
Ansell Fund	1,559,769	1,481,726	1,536,696	1,434,141
Other investments	-	-	342,348	321,116
	$ 1,559,769	$ 1,481,726	$ 6,866,292	$ 6,725,744

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, 2019. Investments in cash, GIC's and equities are classified as level 1 and investments in bonds and funds are classified as level 2.

The Bonds have an interest rate of 1.66% and mature January 2020. The strip bonds pay interest at maturity and mature between January 2020 and May 2021. The GIC's have an interest rate of 2.025 to 2.06% and mature in March 2021.

The aggregate fair value of short term investments of $2,895,887 is comprised of $334,172 of cash and money market funds, $818,482 in equities and $1,743,233 in mutual funds.

The aggregate fair value of long term investments of $1,559,769 is comprised of $269,815 of cash and money market funds, $242,173 in bonds including strip bonds, $669,734 in equities and $378,047 in mutual funds.

All of the long-term investments and any interest earned on the long-term investments represent externally restricted funds as further described in note 8 (b). In accordance with the financial instruments significant accounting policy as described in note 2, the investments are recorded at fair value with changes in fair value recognized as increases/decreases in deferred contributions.

6. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	$ 8,191	$ -	$ 8,191	$ 8,191
Land improvements	55,423	-	55,423	55,423
Buildings and building service equipment	28,252,047	21,335,919	6,916,128	6,859,262
Other equipment	12,044,159	10,321,070	1,723,089	1,742,273
Construction in progress	230,974	-	230,974	230,395
	$ 40,590,794	$ 31,656,989	$ 8,933,805	$ 8,895,544

The construction in progress relates to the development of new rehabilitation beds.

7. Employee future benefits:

Information about the accrued non-pension obligation and liability as at March 31, 2019, is as follows:

	2019	2018
Accrued benefit obligation, beginning of year	$ 2,352,000	$ 2,259,900
Re-measurement adjustment	-	74,000
Current service cost	125,500	120,000
Interest cost	73,700	75,300
Benefits paid	(199,600)	(199,500)
Actuarial losses	69,700	22,300
Accrued benefit obligation, end of year	2,421,300	2,352,000
Less unamortized amounts:		
Experience losses	193,200	151,800
Total accrued benefit liability, end of year	$ 2,228,100	$ 2,200,200
Composed of:		
Current	198,800	199,000
Long term	2,029,300	2,001,200
Total	$ 2,228,100	$ 2,200,200

7. Employee future benefits (continued):

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

	2019	2018
Discount rate	2.80%	3.10%
Extended health care premium increases (decreasing at 0.25% per year to an ultimate rate of 4.50%)	6.00%	6.00%
Dental premium increases	2.75%	2.75%

Employee future benefit expense for the year ended March 31, 2019 is $27,900 (2018 - $46,500).

Substantially all of the full time employees of HDS are members of the Hospitals of Ontario Pension Plan, which is a multi-employer, final average, contributory pension plan. Costs of this plan are expensed as incurred. Contributions to the plan made during the year by HDS on behalf of employees amounted to $1,726,598 (2018 - $1,671,264).

8. 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 $347,821 reported as one –time revenue in the statement of operations.

	2019	2018
Balance, beginning of year	$ 2,179,902	$ 2,298,589
Less amount recognized as revenue in the year	(411,951)	(129,926)
Add amount received related to future periods:		
Contributions received	1,335	40
Investment income	28,546	11,199
Balance, end of year	$ 1,797,832	$ 2,179,902

8. 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. Unspent deferred capital contributions related to capital assets total $1,326,498 (2018 - $6,313,846). 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.

	2019	2018
Balance, beginning of year	$ 12,656,145	$ 12,464,765
Additional contributions received	1,025,650	1,121,526
Investment income	-	119,836
Less amounts amortized to revenue	(901,965)	(1,049,982)
Amounts repaid to MoHLTC	(2,645,476)	-
Amounts unrestricted and recognized as income	(2,341,772)	-
Balance, end of year	$ 7,792,582	$ 12,656,145

During the year, a settlement agreement was reached with the MoHLTC whereby the initial funds granted under a SuperBuild program to HDH in prior years were repaid back to MoHLTC during fiscal 2019. As part of the agreement, HDH was able to maintain $2,341,772 with all restrictions on the use of these funds removed.

9. Investment in capital assets:

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

	2019	2018
Capital assets	$ 8,933,905	$ 8,895,544
Amounts funded by deferred contributions	(6,466,085)	(6,342,299)
	$ 2,467,820	$ 2,553,245

9. Investment in capital assets (continued):

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

	2019	2018
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 901,965	$ 894,034
Amortization of capital assets	(1,042,542)	(1,044,015)
	$ (140,577)	$ (149,981)

	2019	2018
Net change in investment in capital assets:		
Net purchases	$ 1,080,803	$ 880,112
Amounts funded by deferred contributions	(1,025,651)	(965,578)
	$ 55,152	$ (85,466)

10. 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 $87,400 (2018 - $82,500). These donations are included in deferred contributions related to capital assets (note 8). Also during the year, the Foundation provided donations totaling $662,041 (2018 - $736,513). 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.

11. 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 accounts payable and accrued liabilities.

(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, 2019.

(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 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) On February 8, 2019 the MoHLTC announced a $500,000 planning grant for the proposed expansion of rehabilitation beds. While no agreements nor monies have yet been received, this grant is expected to go towards additional planning for this project.

12. Financial risks:

(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, 2019 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, 2019 is $20,000 (2018 - $40,590).

(b) 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, 2019, 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 $1,995 (2018- nil)

13. Internally restricted funds:

In the current year, two funds previously held as deferred contributions had their external restrictions on use released. As a result, these funds totaling $2,684,120 were recognized in the current year surplus and the corresponding deferred contribution in the form of expenses for future periods and deferred capital contributions have been reduced. The Board has internally restricted the use of these funds totaling $2,858,768 including investment income earned during the year on these funds, to capital purchases by way of transfer to an internally restricted reserve.

14. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.