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, 2022

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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 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, 2022
- the statement of operations for the year then ended
- the statement of remeasurement gains 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, 2022, and its results of operations, its remeasurement gains and losses, its changes in net deficit 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
June 22, 2022

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

Statement of Financial Position

As at March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 4,733,925	$ 3,153,422
Accounts receivable (note 3)	1,232,451	2,942,600
Short-term investments (note 4)	3,271,767	3,202,990
Inventory	76,761	87,625
Prepaid expenses and deposits	118,313	224,160
	9,433,217	9,610,797
Long-term investments (note 4)	1,794,756	1,683,605
Capital assets (note 5)	10,426,398	9,041,101
	$ 21,654,371	$ 20,335,503
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,603,071	$ 1,603,552
Accrued salaries, wages and benefits	5,436,344	5,569,620
Employee future benefits (note 6)	160,900	160,900
	8,200,315	7,334,072
Employee future benefits (note 6)	2,114,500	2,106,800
Deferred contributions (note 7):		
Expenses of future periods	1,872,581	1,827,885
MoH deferred pandemic funding (note 12)	–	250,000
MoH capital planning	30,272	46,494
Deferred capital contributions	10,149,935	9,245,503
	12,052,788	11,369,882
	22,367,603	20,810,754
Net assets (deficiency):		
Invested in capital assets (note 8)	1,603,059	1,122,194
Internally restricted	2,858,768	2,858,768
Unrestricted	(5,582,405)	(4,794,698)
	(1,120,578)	(813,736)
Accumulated remeasurement gains	407,346	338,485
	(713,232)	(475,251)
Contingencies (note 10)		
	$ 21,654,371	$ 20,335,503

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, 2022, with comparative information for 2021

		2022		2021
Revenues:				
Local Health Integration Network - base allocation	$	26,655,554	$	26,089,254
MoH – pandemic payments (note 12)		1,257,169		3,501,888
Local Health Integration Network - one time payments		3,260,739		2,791,739
Bundled funding		724,958		623,898
MoH – one time payments		492,239		320,594
Paymaster		227,604		227,604
		32,618,263		33,554,977
Recoveries, sales and other revenue		3,259,973		2,952,092
Amortization of deferred contributions related to equipment		383,611		335,833
Differential & co-payment revenue		197,288		304,303
Other patient revenue and other programs		173,696		155,928
Foundation donations		9,248		26,311
		36,642,079		37,329,444
Expenses:				
Salaries		23,758,868		23,098,970
Employee benefits		6,877,848		7,067,912
Supplies and other expenses		4,383,611		4,532,132
Medical staff remuneration		685,357		634,600
Drugs		403,152		378,233
Equipment amortization		393,205		343,141
Medical & surgical supplies		332,847		216,895
Rental/lease of equipment		58,193		70,015
Bad debts		4,364		8,087
		36,897,445		36,349,985
Excess (deficiency) of revenues over expenses before the undernoted		(255,366)		979,459
Other revenues (expenses):				
MoH capital planning funding		16,222		244,115
Capital planning expenses		(16,222)		(244,115)
Amortization of building		(652,236)		(638,030)
Amortization of deferred contributions related to building		600,760		569,084
		(51,476)		(68,946)
Excess (deficiency) of revenues over expenses	$	(306,842)	$	910,513

See accompanying notes to financial statements.

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

Statement of Remeasurement Gains

Year Ended March 31, 2022, with comparative information for 2021

	2022	2021
Accumulated remeasurement gains (losses), beginning of year	$ 338,485	$ (134,873)
Unrealized gains attributable to investments	68,861	473,358
Accumulated remeasurement gains, end of year	$ 407,346	$ 338,485

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

Statement of Changes in Net Deficit

Year ended March 31, 2022, with comparative information for 2021

	Investment in Capital Assets	Internally Restricted	Unrestricted	Total 2022	Total 2021
Balance, beginning of year	$ 1,122,194	$ 2,858,768	$ (4,794,698)	$ (813,736)	$ (1,724,249)
(Deficiency) excess of revenue over expenses (note 8)	(61,071)	–	(245,771)	(306,842)	910,513
Net change in capital assets (note 8)	541,936	–	(541,936)	–	–
Balance, end of year	$ 1,603,059	$ 2,858,768	$ (5,582,405)	$ (1,120,578)	(813,736)

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	$ (306,842)	$ 910,513
Items not involving cash:		
Amortization of capital assets	1,045,442	981,171
Amortization of deferred contributions related to capital assets	(984,371)	(904,917)
MoH deferred pandemic funding	(250,000)	250,000
MoH capital funding	(16,222)	(244,115)
Recognized deferred contributions related to expenses of future periods	(80,456)	(83,287)
Employee future benefits	7,700	1,100
	(584,749)	910,465
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,710,149	(1,575,473)
Decrease in inventory	10,864	55,027
(Increase) decrease in prepaid expenses and deposits	105,847	(48,185)
(Decrease) increase in accounts payable and accrued liabilities	999,519	(480,106)
Increase (decrease) in accrued salaries, wages and benefits	(133,276)	289,451
	2,693,103	(1,759,286)
Financing:		
Contributions received related to expenses of future periods	14,000	42,375
Contributions received related to capital assets	1,888,803	1,804,595
	1,902,803	1,846,970
Investments:		
Purchase of capital assets	(2,430,739)	(1,121,545)
(Purchase) redemptions of short-term investments	85	85
	(2,430,654)	(1,121,460)
Increase (decrease) in cash	1,580,503	(123,311)
Cash, beginning of year	3,153,422	3,276,733
Cash, end of year	$ 4,733,925	$ 3,153,422

See accompanying notes to financial statements.

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 ("MoH"). 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 MoH. Any excess of revenues over expenses earned during a fiscal year may be retained by HDS. There is currently no commitment by the MoH to fund deficits incurred by HDS. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The MoH 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 extended from July 1 2021 to March 31, 2022 and subsequently to March 31, 2023. 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 statement of remeasurement of gains and losses.

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) Inventories:

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

2. Significant accounting policies (continued):

(d) 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.

(e) 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, 2020, and the next required valuation will be effective April 1, 2023. 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 11 years (2021 - 12 years).

2. Significant accounting policies (continued):

(f) 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.

(g) Board designated internally restricted net assets:

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

(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. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, pay equity accruals and obligations related to post-retirement benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

3. Accounts receivable:

	2022	2021
Patient	$ 669,767	$ 367,557
MoH COVID funding (note 12)	389,764	2,369,265
Allowance for doubtful accounts	(20,000)	(20,000)
Other	192,920	225,778
	$ 1,232,451	$ 2,942,600

4. Investments:

Short-term investments consist of the following:

	2022 Market	2022 Cost	2021 Market	2021 Cost
SuperBuild Funding	$ 2,823,559	$ 2,824,674	$ 2,794,777	$ 2,654,302
Other investments	442,560	394,428	402,480	376,952
Other	5,648	5,648	5,733	5,733
	$ 3,271,767	$ 3,224,750	$ 3,202,990	$ 3,036,987

Long-term investments consist of the following:

	2022 Market	2022 Cost	2021 Market	2021 Cost
Ansell Fund	$ 1,794,756	$ 1,591,559	$ 1,683,605	$ 1,521,777
	$ 1,794,756	$ 1,591,559	$ 1,683,605	$ 1,521,777

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, 2022. 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 $3,271,767 is comprised of $196,995 of cash and GICs, $482,390 in equities and $2,592,382 in mutual funds.

The aggregate fair value of long-term investments of $1,794,756 is comprised of $340,817 of cash and money market funds, $278,183.00 in long-term bond funds, $899,245 in equities and $276,511 in mutual funds.

5. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 8,191	$ –	$ 8,191	$ 8,191
Land improvements	55,423	–	55,423	55,423
Buildings and building service equipment	31,798,919	23,251,965	8,546,954	7,380,941
Other equipment	13,284,181	11,468,351	1,815,830	1,317,115
Construction-in-progress	–	–	–	279,431
	$ 45,146,714	$ 34,720,316	$ 10,426,398	$ 9,041,101

During the year, all amounts in construction-in-progress were transferred to the corresponding capital categories.

6. Employee future benefits:

Information about the accrued non-pension obligation and liability as at March 31, 2022, is as follows:

	2022	2021
Accrued benefit obligation, beginning of year	$ 1,930,500	$ 2,378,600
Re-measurement adjustment		(482,000)
Current service cost	123,300	118,300
Interest cost	57,200	58,000
Benefits paid	(160,900)	(161,600)
Actuarial losses (gains)	(145,600)	19,200
Accrued benefit obligation, end of year	1,804,500	1,930,500
Less: Unamortized actuarial gains	(470,900)	(337,200)
Total accrued benefit liability, end of year	$ 2,275,400	$ 2,267,700
Composed of:		
Current	$ 160,900	$ 160,900
Long term	2,114,500	2,106,800
Total	$ 2,275,400	$ 2,267,700

6. Employee future benefits (continued):

Amortization of actuarial gains during the year was $13,600 (2021 - ($13,600) and is recognized in the statement of operations.

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

	2022	2021
Discount rate	3.60%	2.90%
Extended health care premium increases (decreasing at 0.25% per year to an ultimate rate of 4.50%)	5.37%	5.37%
Dental premium increases	3.00%	3.00%

Employee future benefit expense for the year ended March 31, 2022 is $7,700 (2021 - $1,100).

HDS' contributions to HOOPP during the year amounted to $1,876,066 (2021 - $1,417,038) and is recognized in the statement of operations in the period earned. The most recent actuarial valuation of HOOPP as at December 31, 2021 indicates the plan has a 120% funded status 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.

	2022	2021
Balance, beginning of year	$ 1,827,885	$ 1,600,292
Less amount recognized as revenue in the year	(80,456)	(83,287)
Add amount received related to future periods:		
Contributions received	14,000	42,375
Investment income on long-term investments	111,152	268,505
Balance, end of year	$ 1,872,581	$ 1,827,885

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.

	2022	2021
Balance, beginning of year	$ 9,245,503	$ 8,345,825
Additional contributions received	1,888,803	1,804,595
Less amounts amortized to revenue	(984,371)	(904,917)
Balance, end of year	$ 10,149,935	$ 9,245,503

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

	2022	2021
Unamortized capital contributions used to purchase capital assets	$ 9,490,174	$ 8,439,524
Unspent capital contributions	659,761	805,979
Balance, end of year	$ 10,149,935	$ 9,245,503

(c) MoH deferred contributions:

During the year, HDS recognized $16,222 (2021 - $244,115) in capital planning expenses related to HDS' anticipated new rehabilitation building. These amounts are recognized in the statement of operations.

In 2021, HDS received $250,000 in COVID-19 funding (see note 12) related to the purchase of capital assets which were not yet incurred as at March 31, 2021. The MoH completed the reconciliation for the COVID-19 Capital Incremental Expense Reimbursement funding for hospital costs incurred during 2021 and excess funding will be recovered against future payments. This amount is included in the accounts payable balance.

8. Investment in capital assets:

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

	2022	2021
Capital assets	$ 10,426,398	$ 9,041,101
Amounts funded by deferred contributions	(8,821,714)	(7,917,282)
	$ 1,604,684	$ 1,123,819

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

	2022	2021
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 984,371	$ 904,917
Amortization of capital assets	(1,045,442)	(981,171)
	$ (61,071)	$ (76,254)
Net change in investment in capital assets:		
Net purchases	$ 2,430,739	$ 1,121,544
Amounts funded by deferred contributions	(1,888,803)	(1,804,595)
	$ 541,936	$ (683,051)

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 $nil (2021 - $11,200). These donations are included in deferred contributions related to capital assets. Also during the year, the Foundation provided donations totaling $867,571 (2021 - $355,327). A portion of these donations are for operating expenses and the remainder are included in deferred contributions related to capital assets.

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 (“ONA”) requesting to enter into negotiations concerning the maintenance of the pay equity plan. The Ontario Hospital Association is acting on behalf of HDS, and other participating hospitals, with respect to the ONA pay equity negotiations.

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, 2022.

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, 2022 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, 2022 is $20,000 (2021 - $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, 2022, HDS' total exposure to price risks is $5,066,523 (2021 - $4,886,595). HDS' estimate of the effect of net assets at March 31, 2022 due to a 1.0% increase or decrease in the fair value of investments, with all other variables held constant, would approximately amount to $50,665. (2021 - $48,866).

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.

(d) 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, 2022, the maximum potential exposure for HDS is equal to the value of the underlying investment held, which as at March 31, 2022 is $278,183 (2021 - $184,786).

12. Ministry of Health pandemic funding:

In connection with the ongoing COVID-19 pandemic (“COVID-19), the MoH has announced a number of funding programs during fiscal 2021 and 2022 intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unused funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through a broad-based funding reconciliation.

While the MoH has provided guidance with respect to the maximum amount of funding potentially available to HDS, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MoH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management’s estimate of MoH revenue for COVID-19 is based on the most recent guidance provided by MoH and the impacts of COVID-19 on HDS’ operations, revenues and expenses. As a result of management’s estimation process, HDS has determined a range of reasonably possible amounts that are considered by management to be realistic, supportable and consistent with the guidance provided by the MoH. However, given the potential for future changes to funding programs that could be announced by the MoH, HDS has recognized revenue related to COVID-19 based on the lower end of the range and consideration of provisions for cost savings. Any adjustments to management’s estimate of MoH revenues will be reflected in HDS’ financial statements in the year of final settlement.

12. Ministry of Health pandemic funding (continued):

Details of the MoH funding for COVID-19 recognized as revenue are summarized below:

	2022	2021
Funding for revenue losses resulting from COVID-19	$ –	$ 2,067,100
Funding for incremental COVID-19 operating expenses	1,212,769	1,284,200
Pandemic pay funding	44,400	654,323
Less: Provision for cost savings	–	(503,735)
	$ 1,257,169	$ 3,501,888

In the prior year, HDS was provided funding commitments up to the $371,300 for incremental capital purchase associated with the COVID-19 impact, of which $283,800 has been received and recognized in the financial statements. $33,800 has been recognized in the statement of operations for expenses incurred during the year.

During the year, HDS provided $306,045 for the Nurses Recruitment and Retention Fund program approved by MoH.

13. COVID-19 impacts:

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

In response to COVID-19 and consistent with guidance provided by the MoH and other government agencies, HDS has implemented a number of measures to protect patients and staff from COVID-19. In addition, HDS has actively contributed towards the care of COVID-19 patients and the delivery of programs that protect public health.

HDS continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on HDS' operations and financial position is not known at this time. These impacts could include a decline in future cash flows, change in value of assets and liabilities and results of 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.