Financial Statements of

ST. MARY'S GENERAL HOSPITAL

And Independent Auditors' Report thereon

Year ended March 31, 2022

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 2B3
Canada
Tel 519-747-8800
Fax 519-747-8811

INDEPENDENT AUDITORS' REPORT

To the St. Joseph's Health System and The Board of Trustees, St. Mary's General Hospital

Opinion

We have audited the financial statements of St. Mary's General Hospital (the Hospital), which comprise:

- the statement of financial position as at March 31, 2022
- 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 losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(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 Hospital as at March 31, 2022, and its results of operations, , its changes in net assets, its cash flows and its remeasurement losses 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 Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Hospital'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 Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital'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 Hospital'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 Hospital'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 Hospital 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

Waterloo, Canada

May 26, 2022

ST. MARY'S GENERAL HOSPITAL

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash (note 2)	$ 30,511,387	$ 19,313,794
Short-term investments (note 4)	2,262,427	2,469,511
Accounts receivable (note 3)	19,678,183	25,986,053
Inventories	1,964,666	2,501,763
Prepaid expenses	1,957,310	1,417,457
	56,373,973	51,688,578
Investments (note 4)	1,039,567	848,058
Capital assets (note 5)	120,838,103	120,707,621
	$ 178,251,643	$ 173,244,257
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 51,994,941	$ 51,378,643
Deferred revenue	3,072,827	3,095,780
Current portion of long-term debt (note 8)	2,185,322	2,108,571
	57,253,090	56,582,994
Employee future benefits (note 7)	5,526,100	5,447,000
Long-term debt (note 8)	21,661,125	23,846,447
Interest rate swaps market valuation (note 8)	219,671	1,713,545
Deferred capital contributions (note 9)	87,383,280	80,939,768
	172,043,266	168,529,754
Net assets (deficit):		
Invested in capital assets (note 10)	10,166,573	14,440,001
Unrestricted net assets	(3,738,525)	(8,011,953)
	6,428,048	6,428,048
Accumulated remeasurement loss	(219,671)	(1,713,545)
	6,208,377	4,714,503
Commitments and contingencies (note 11)		
	$ 178,251,643	$ 173,244,257

See accompanying notes to financial statements.

On behalf of the Board:

M Thomson Howell Trustee

Stanley Mahyang Trustee

ST. MARY'S GENERAL HOSPITAL

Statement of Operations

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

	2022	2021
Revenue:		
Ontario Ministry of Health and other funding agencies (note 14)	$ 195,727,788	$ 185,545,782
Preferred accommodation	128,480	163,744
Other patient revenue	13,285,900	10,335,604
Parking revenue	1,288,646	929,662
Donations and other revenue	4,008,880	3,888,874
Amortization of deferred capital contributions relating to equipment	3,085,982	3,196,570
	217,525,676	204,060,236
Operating expenses:		
Salaries, wages and employee benefits	154,768,404	144,994,710
Medical and surgical supplies	25,812,529	22,145,612
Drugs and medicines	4,234,850	3,988,468
Other supplies and expenses	26,335,680	25,666,936
Amortization of major equipment	5,300,168	4,945,750
	216,451,631	201,741,476
Excess of operating revenues over expenses prior to the undernoted items	1,074,045	2,318,760
Amortization of deferred contributions relating to buildings and building equipment	3,360,618	2,861,889
Amortization of buildings and building equipment	(4,166,659)	(3,431,432)
Loss on disposal of equipment	–	(15,208)
Donations from Foundation toward long-term debt (note 12)	657,366	664,451
Interest related to long-term liabilities	(925,370)	(876,666)
Excess of revenues over expenses prior to the MOH working capital funding	–	1,521,794
MOH working capital funding (note 14)	–	8,077,600
Excess of revenues over expenses	$ –	$ 9,599,394

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2022 with comparative information for 2021

March 31, 2022	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	$ 14,440,001	$ (8,011,953)	$ 6,428,048
Excess (deficiency) of revenues over expenses	(3,020,227)	3,020,227	–
Net change in investment in capital assets	(1,253,201)	1,253,201	–
Balance, end of year	$ 10,166,573	$ (3,738,525)	$ 6,428,048

March 31, 2021	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	$ 13,696,469	$ (16,867,815)	$ (3,171,346)
Excess (deficiency) of revenues over expenses	(2,333,931)	11,933,325	9,599,394
Net change in investment in capital assets	3,077,463	(3,077,463)	–
Balance, end of year	$ 14,440,001	$ (8,011,953)	$ 6,428,048

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL

Statement of Cash Flows

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

	2022	2021
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	$ –	$ 9,599,394
Items not involving cash:		
Amortization of capital assets	9,466,827	8,377,182
Amortization of deferred contributions related to capital assets	(6,446,600)	(6,058,459)
Loss on disposal of equipment	–	15,208
Change in employee future benefits obligation	79,100	153,600
	3,099,327	12,086,925
Changes in non-cash operating working capital:		
Accounts receivable	6,307,870	(19,263,060)
Inventories	537,097	(1,351,104)
Prepaid expenses	(539,853)	(464,289)
Accounts payable and accrued liabilities	616,298	13,468,032
Deferred revenue	(22,953)	1,125,584
	9,997,786	5,602,088
Capital:		
Purchase of capital assets	(9,597,309)	(14,385,210)
Contributions received related to capital assets	12,890,112	13,245,860
	3,292,803	(1,139,350)
Investing:		
Change in short-term investments	207,084	(10,488)
Change in long-term investments	(191,509)	(37,308)
	15,575	(47,796)
Financing:		
Repayment of long-term debt	(2,108,571)	(1,511,543)
	(2,108,571)	(1,511,543)
Increase in cash	11,197,593	2,903,399
Cash, beginning of year	19,313,794	16,410,395
Cash, end of year	$ 30,511,387	$ 19,313,794

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL

Statement of Remeasurement Losses

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

	2022	2021
Accumulated remeasurement loss, beginning of the year	$ (1,713,545)	$ (3,458,944)
Unrealized gain (loss) attributable to:		
Derivative – interest rate swaps	1,493,874	1,745,399
Accumulated remeasurement loss, end of the year	$ (219,671)	$ (1,713,545)

See accompanying notes to financial statements.

St. Mary's General Hospital, Kitchener, Ontario (the "Hospital") is an adult medical surgical hospital with a priority focus on cardiac, thoracic and senior friendly care. Founded by the Sisters of St. Joseph of Hamilton in 1924, we are guided by our Judeo-Christian values and Catholic traditions in the provision of health services within the Region of Waterloo.

The Hospital is a division of St. Joseph's Health System (the "System"). The System is incorporated under the laws of the Province of Ontario. Both the Hospital and the System are registered charitable organizations under the Income Tax Act (Canada).

These financial statements do not include the accounts of the other health care facilities which are part of the St. Joseph's Health System.

1. 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) Basis of presentation:

The financial statements present only the accounts of the Hospital as a separately managed entity and exclude any accounts of the System that are considered to be unrelated to the Hospital's operations. For those reasons, some users of these financial statements may require additional information from the System.

These financial statements do not include the accounts of the following related, but separate entities:

St. Mary's General Hospital Foundation

St. Mary's General Hospital Volunteer Association

(b) Inventories:

Inventories of supplies consist of drugs, medical, surgical and laboratory supplies. Medical, surgical and laboratory supplies are valued at the lower of cost on a first-in, first-out basis, and replacement cost. Drug inventory is valued on a weighted average basis.

(c) Investments:

Investments are primarily comprised of marketable securities and fixed income deposits. Marketable securities are carried at fair value while fixed income deposits are carried at cost. Unrestricted investment income is recognized as revenue during the period in which it is earned.

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported 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.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments are 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.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization 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.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Incremental interest incurred during the acquisition, construction or production of capital assets is included in the cost of the capital asset. The interest capitalized is determined by applying the Hospital's average interest rate to the average amount of accumulated expenditures for the asset during the year.

Capital assets are amortized on a straight-line basis using the following annual rates:

Assets	Rate
Buildings	2.5%
Building equipment	4%
Major equipment	5% - 20%
Software	6.7% - 33.3%

(f) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH") and the Ministry of Long-Term Care ("MOLTC"). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2022.

Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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 of the related capital assets.

Revenue from Ontario Health Insurance Plan ("OHIP"), preferred accommodation, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided, if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. **Significant accounting policies (continued):**

   (g) Employee future benefits obligation:

   (i) Multi-employer plan:

   Substantially all of the employees of the Hospital are eligible to be members of Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer high five average pay contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan).

   (ii) Defined benefit plan:

   The Hospital accrues its obligations under employee defined benefit dental, life insurance and health care plans, and the related costs as the employees render the services necessary to earn the future benefits. The Hospital offers the plan to certain of its employees as described in (note 7).

   - The cost of the accrued benefit obligations for retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages and expected health care costs.
   - Past service costs 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 12.8 years (2021 – 12.8 years).
   - For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

   (h) Contributed goods and services:

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

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, allowance for doubtful accounts and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Cash:

The Hospital has an operating line which is available for use to the Hospital through the St. Joseph's Health System. The Hospital did not utilize this credit facility during the year.

3. Accounts receivable:

	2022	2021
Ontario Ministry of Health	$ 13,302,955	$16,992,295
OHIP, Patients and others	6,315,830	8,319,260
St. Joseph's Healthcare Hamilton	–	15,100
St. Mary's General Hospital Foundation	387,742	987,742
	20,006,527	26,314,397
Less allowance for doubtful accounts	(328,344)	(328,344)
	$ 19,678,183	$ 25,986,053

4. Investments:

Short Term:

	Level		2022		2021
Fixed income investments measured at fair value	1	$	2,262,427	$	2,469,511
		$	2,262,427	$	2,469,511

Long Term:

	Level		2022		2021
Cash held for purchase of long-term assets, measured at fair value	1	$	773,690	$	829,008
Fixed income investments held for purchase of long-term assets, measured at fair value	2		265,877		19,050
		$	1,039,567	$	848,058

The fixed income investments mature from July 11, 2022 to July 2, 2024 and hold fixed interest rates from 0.9% to 2.21%. The investment income of $14,727 (2021 - $21,811) is comprised of interest income earned on bank balances and fixed income investment securities.

Investment income is included in deferred capital contributions on the statement of financial position.

5. Capital assets:

March 31, 2022	Cost	Accumulated amortization	Net book value
Land	$ 2,084,724	$ –	$ 2,084,724
Buildings and building equipment	152,255,289	69,726,598	82,528,691
Major equipment	98,391,563	84,380,045	14,011,518
Software	28,661,944	12,589,894	16,072,050
Deposit on equipment	356,635	–	356,635
Construction in progress	5,784,485	–	5,784,485
	$ 287,534,640	$ 166,696,537	$ 120,838,103

5. Capital assets (continued):

March 31, 2021

	Cost	Accumulated amortization	Net book value
Land	$ 2,084,724	$ –	$ 2,084,724
Buildings and building equipment	141,750,223	65,558,919	76,191,304
Major equipment	91,833,422	80,798,201	11,035,221
Software	28,285,120	10,872,590	17,412,530
Deposit on equipment	453,814	–	453,814
Construction in progress	13,530,028	–	13,530,028
	$ 277,937,331	$ 157,229,710	$ 120,707,621

During the year, the Hospital capitalized net interest of $nil (2021 - $124,654). Software costs of $791,542 (2021 - $1,062,695) are included in Construction in progress.

6. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable and other accrued liabilities	$ 20,838,104	$ 24,038,379
Accrued salaries, wages and employee deductions	10,394,672	11,858,489
Accrued vacation pay	7,036,721	6,335,935
Accounts payable MOH and other funding agencies	13,725,444	9,145,840
	$ 51,994,941	$ 51,378,643

7. Employee future benefits:

(a) Pension plan:

Substantially all full-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan ("HOOPP"). This Plan is a multi-employer, defined benefit pension plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. As this is a multi-employer plan, no liability has been recorded on the Hospital's books.

Employer contributions to the Plan on behalf of employees amounted to $8,099,476 (2021 - $7,517,218). The most recent actuarial valuation for accounting purposes was completed by HOOPP as at December 31, 2021. Their December 31, 2021 audited financial statements disclosed an actuarial value of net assets available for benefits in the amount of $114.4 billion, with accrued benefits of $85.9 billion, resulting in a going concern surplus of $28.5 billion.

7. Employee future benefits (continued):

(b) Other employee future benefits:

The Hospital has an unfunded defined benefit dental, life insurance and health care plan. This covers substantially all of its employees and provides a segment of its retirees with post-retirement 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	$ 4,518,400	$ 4,908,500
Current service cost	286,900	311,400
Interest cost	208,400	225,800
Benefits paid	(348,000)	(359,700)
Actuarial gain (loss)	(228,100)	(567,600)
Accrued benefit obligation, end of year	4,437,600	4,518,400
Unamortized actuarial gains	1,088,500	928,600
Total accrued benefit liability, end of year	$ 5,526,100	$ 5,447,000

The significant actuarial assumptions adopted in the measuring of the accrued non-pension benefit obligation are as follows:

	2022	2021
Accrued benefit obligation (at end of year):		
Discount rate	4.98%	4.50%
Extended health care	6.00%	6.00%
Dental care cost rate	4.25%	4.00%
Benefit costs (for fiscal year):		
Discount rate	4.50%	4.48%

The benefit obligation for accounting purposes is based on the most recent actuarial valuation as at January 1, 2021, extrapolated to March 31, 2022.

8. Long-term debt:

The balance of long-term debt reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Term loan, with interest at 3.95% per annum fixed through a swap transaction, monthly payments of interest and principal, maturing on June 1, 2025 (note 8(a))	$ 1,885,784	$ 2,419,052
Construction loan, with interest at 3.10% per annum fixed through a swap transaction, monthly payments of interest and principal, maturing on November 15, 2028 (note 8(b))	3,621,640	4,106,611
Health Information System project loan, with interest due monthly at 3.61% per annum fixed through a swap transaction, maturing on March 15, 2035 (note 8(c))	18,339,023	19,429,355
	23,846,447	25,955,018
Less: current portion of long-term debt	(2,185,322)	(2,108,571)
	$ 21,661,125	$ 23,846,447

(a) The Hospital has a term loan agreement with the bank which bears interest at the bank's prime lending rate plus 0.30%, is payable monthly and matures on June 1, 2025. The Hospital entered into an interest rate swap transaction to pay a fixed interest rate of 3.95% (note 8(e)). The agreement includes certain financial covenants. As at March 31, 2022, the Hospital is in compliance with the covenants.

(b) The Hospital has a 10 year term construction loan bearing variable interest rates and payable monthly. The loan matures on November 15, 2028, the Hospital entered into an interest rate swap to pay a fixed interest rate of 3.10% (note 8(f)).

(c) The Hospital financed the Health Information System project loan through a term loan agreement with the bank. The first draw down of $10 million was on June 15, 2018. The second draw down of $10 million was on May 15, 2019. This loan was interest only until April 15, 2020. The loan matures on March 15, 2035. The Hospital entered into an interest rate swap transaction to pay a fixed interest rate of 3.61% (note 8(g)).

In April 2020, due to the COVID-19 pandemic, the principal repayment for the project loan was suspended for 6 months starting on May 15, 2020. Any interest accrued on the loan balance was paid on the existing due dates. The interest rate, contractual term, rate term and amortization period of the loan remained the same and principal repayments resumed on November 15, 2020 until maturity on March 15, 2035. As a result of the principal payment suspension, the amounts of the remaining monthly payments have changed in order to be repaid within the current amortization period.

8. Long-term debt (continued):

(d) Debt maturity:

The following are the future minimum annual debt principal repayment due over the next five fiscal years and thereafter:

2023	$ 2,185,322
2024	2,264,888
2025	2,347,370
2026	1,962,290
2027	1,872,025
Thereafter	13,214,552
	$ 23,846,447

(e) Interest rate swap:

The Hospital has entered into an interest rate swap agreement to manage the volatility of interest rates. The Hospital is a party to a 15-year interest rate swap agreement with a notional principal amount of $7 million, whereby the Hospital is obligated to pay fixed interest of 3.95% while receiving variable rate interest which offsets the variable rate interest paid on its term loan (note 8(a)). The agreement matures on June 1, 2025. The fair value of the interest rate swap agreement will continue to fluctuate until the maturity of the agreement, or its settlement.

The fair value of the interest rate swap at March 31, 2022 is in a net unfavorable position of $45,226 (2021 - $164,563). The current year impact of the change in fair value of the interest rate swap is a decrease to the statement of remeasurement gains and loss of $119,337 (2021 – decrease $82,136). The fair value of the interest rate swap is determined using Level 3 of the fair value hierarchy.

(f) Construction loan Interest rate swap:

The Hospital has entered into an interest rate swap agreement to manage the volatility of interest rates for the construction loan. The Hospital is a party to a 10-year interest rate swap agreement with a notional principal amount of up to $5.2 million, whereby the Hospital is obligated to pay fixed interest of 3.10% while receiving variable rate interest which offsets the variable rate interest paid on its construction loan (note 8(b)). The agreement matures on October 15, 2028. The fair value of the interest rate swap agreement will continue to fluctuate until the maturity of the agreement, or its settlement. The fair value of the interest swap at March 31, 2022 is in a net favorable position of $53,511 (2021 unfavorable- $134,055). The current year impact of the fair value of the interest rate swap is a decrease to the statement of remeasurement gains and loss of $187,566 (2021 – decrease $132,490). The fair value of the interest rate swap is determined using Level 3 of the fair value hierarchy.

8. Long-term debt (continued):

(g) Project loan interest rate swap:

The Hospital has entered into an interest rate swap agreement to manage the volatility of interest rates for the project loan. The Hospital is a party to a 17-year interest rate swap agreement with a notional principal amount of up to $20 million, whereby the Hospital is obligated to pay fixed interest of 3.61% while receiving variable rate interest which offsets the variable rate interest paid on its project loan (note 8(c)). The agreement matures on February 15, 2035. The fair value of the interest rate swap agreement will continue to fluctuate until the maturity of the agreement, or its settlement. The fair value of the interest swap at March 31, 2022 is in a net unfavorable position of $227,956 (2021 - $1,414,927). The current year impact of the fair value of the interest rate swap is a decrease to the statement of remeasurement gains and loss of $1,186,971 (2021 - decrease $1,530,773). The fair value of the interest rate swap is determined using Level 3 of the fair value hierarchy.

9. Deferred contributions:

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and the unamortized portion of restricted contributions with which capital assets were originally purchased, plus any unspent donations and grants received during the year for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance for the year are as follows:

	2022	2021
Balance, beginning of year	$ 80,939,768	$ 73,752,367
Additional contributions	12,890,112	13,245,860
Less amounts amortized to revenue	(6,446,600)	(6,058,459)
Balance, end of year	$ 87,383,280	$ 80,939,768

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

	2022	2021
Unamortized capital contributions used to purchase capital assets	$ 86,825,083	$ 80,312,602
Unspent capital contributions	558,197	627,166
	$ 87,383,280	$ 80,939,768

9. Deferred contributions (continued):

Due to the COVID-19 pandemic, access to the site was restricted, delaying the completion of the projects under the 2021/22 Health Infrastructure Renewal Fund (HIRF). As a result, $3,147,306 of HIRF funds have been deferred in additional to $9,075 of related interest. In accordance with guidelines provided by the Ministry of Health, the Hospital will carryover the unspent funds at March 31, 2022 and will complete the approved project in the year ending March 31, 2023.

10. Net assets invested in capital assets:

Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	$ 120,838,103	$ 120,707,621
Amounts financed by deferred contributions	(86,825,083)	(80,312,602)
Amounts financed by long-term debt	(23,846,447)	(25,955,018)
	$ 10,166,573	$ 14,440,001

11. Commitments and contingencies:

(a) The nature of the Hospital activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2022, management believes that the Hospital has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) In the normal course of operations, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

11. Commitments and Contingencies (continued):

(c) The Hospital is committed to payments under operating leases for various premises. Minimum payments under these leases are as follows:

2023	$	310,440
2024		229,164
2025		229,164
2026		229,164
2027		19,097
	$	1,017,029

(d) At March 31, 2022, the estimated cost to complete approved capital projects currently in progress is $76,017 relating to Arrhythmia Centre project as part of an overall $13,238,200 initiative.

12. Related party transactions:

(a) St. Joseph's Health System:

The Hospital, as a division of St. Joseph's Health System (the "System"), was involved in inter-divisional activities throughout the year. These activities consist of the sharing of the System's corporate administrative charges and other services and resulted in charges of $396,226 (2021 - $476,468). Included in accounts payable and accrued liabilities is $nil (2021 – $33,019) related to transactions with the System. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(b) St. Joseph's Healthcare Hamilton:

The Hospital receives services from St. Joseph's Healthcare throughout the year. These activities consist of the sharing of staff charges and other services and resulted in charges of $122,874 (2021 - $81,014). At March 31, 2022, the Hospital had a net accounts receivable balance of $nil (2021 - $15,100). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

12. Related party transactions (continued):

(c) St. Mary's General Hospital Foundation:

The Hospital has an economic interest in the St. Mary's General Hospital Foundation (the "Foundation") as the Foundation was established to raise funds for the use of the Hospital. The Foundation's by-laws indicate that it will operate and fundraise to support the Hospital. The Foundation is separately incorporated under laws of Ontario and is a registered charity under the Income Tax Act. The Board of Directors of the Foundation is separate from the Hospital, and thus the Foundation is separately managed. The Hospital may request donations from the Foundation, but the ultimate decisions on funding are completed by the Foundation management and Board of Directors.

Audited financial statements have not been finalized for the Foundation as at the preparation date of the St. Mary's General Hospital audit and have therefore been conservatively estimated.

Net resources are estimated at $25,766,281 (2021 - $20,137,137), of which it is estimated that $6,899,487 (2021 - $6,678,372) represents contributions externally restricted.

The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

Related party transactions during the year include the following:

(i) an amount of $3,699,123 (2021 - $2,792,265) has been received from the Foundation and recorded as deferred contributions related to capital assets; and

(ii) an amount of $657,366 (2021 - $664,451) representing debt repayments paid on the Hospital's behalf have been completed by the Foundation and recorded donations from Foundation toward long-term debt on the statement of operations.

(d) St. Mary's General Hospital Volunteer Association:

The Hospital has an economic interest in the St. Mary's General Hospital Volunteer Association (the "Volunteer Association") as the Volunteer Association was established to support the Hospital's initiatives and raise funds for the use of the Hospital. The Volunteer Association is incorporated under laws of Ontario and is exempt from income tax under the Income Tax Act. The Board of Directors of the Volunteers Association is separate from the Hospital, and thus the Volunteers Association is separately managed. The Hospital may request donations from the Volunteers Association, but the ultimate decisions on funding are completed by the Volunteers Association management and Board of Directors.

Net resources of the Volunteer Association amount to $339,829 (2021 - $500,000), with no contributions externally restricted. An amount of $60,000 (2021 - $60,000) is internally restricted for capital improvements.

The net assets and results from operations of the Volunteer Association are not included in the statements of the Hospital. Separate financial statements of the Volunteer Association are available upon request.

Related party transactions during the year not separately disclosed in the financial statements:

(i) Intercompany transactions related to supply purchases made by the Volunteer Association and payroll costs for the Tim Horton's operated by the Volunteer Association.

13. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable, cash and investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital 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 income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2022 is included (in note 3).

As at March 31, 2022, no patient accounts receivable are impaired.

The maximum exposure to investment credit risk is outlined (in note 4).

There have been no significant changes to the credit risk exposure from 2021.

(b) Liquidity risk:

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

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

The contractual maturities of long-term debt, and interest rate swaps are disclosed in (note 8).

There have been no significant changes to the liquidity risk exposure from 2021.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

13. Financial risks (continued):

(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 the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through to its interest bearing loan payable and its interest rate swap.

As at March 31, 2022, 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 the interest rate swap would increase by $994,918 or decrease by $1,003,121, respectively.

The Hospital mitigates interest rate risk on its term debt through derivative financial instrument (interest rate swaps) that exchanges the variable rate inherent in the term debt for a fixed rate (see note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The Hospital's investments are disclosed in (note 4).

There has been no change to the interest rate risk exposure from 2021.

(e) COVID-19 impacts:

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

The Hospital continues to respond to the pandemic and plans for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.

14. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. As part of these funding programs, the MOH is permitting hospitals to redirect unused funding from certain programs towards budgetary pressures through a broad-based funding reconciliation.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by the MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. As a result of Management's estimation process, the Hospital has recognized amounts that are considered by Management to be realistic, supportable and consistent with the guidance provided by the MOH.

Given the potential for future adjustments to funding programs that could be announced by the MOH, the Hospital has recognized revenue related to COVID-19 using a conservative approach. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

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

	2022	2021
Funding for incremental COVID-19 operating expenses	$ 12,286,509	$ 30,583,484
Broad-based funding reconciliation for other eligible costs and revenue losses	237,782	2,279,853
Funding for non-ministry revenue losses resulting from COVID-19	–	2,539,638
Total revenue recognized	$ 12,524,291	$ 35,402,975

In addition to the above, the Hospital has also recognized $613,224 (2021 - $2,986,501) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

15. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2022 financial statements.